

S  
771.551  
M41P

STATE DOCUMENTS

JUL 21 1971

# ***S*trategy for the *S*eventies**

A COLLECTION OF PRESENTATIONS

TO THE

GOVERNOR'S CONFERENCE

GREAT FALLS, MONTANA

DECEMBER 3-4, 1970

Montana State Library



3 0864 1006 8745 1

Presentations to the

GOVERNOR'S CONFERENCE

on

STRATEGY FOR THE SEVENTIES


Great Falls, Montana  
December 3-4, 1970

Edited by

Howard L. Huffman  
Research Associate  
Center for Planning and Development

Prepared by

Center for Planning and Development  
Montana State University  
Bozeman, Montana  
May, 1971



Digitized by the Internet Archive  
in 2017 with funding from  
Montana State Library

<https://archive.org/details/presentationstog1971mont>



## ACKNOWLEDGEMENTS

Conference sponsored by  
Montana Department of Planning and Economic Development  
with the cooperation of  
Montana Chamber of Commerce  
Montana League of Cities and Towns  
Montana State University, Bozeman  
University of Montana, Missoula

Planning Committee composed of  
Perry F. Roys, Executive Director, Department of Planning and  
Economic Development  
C. Richard Draper, Deputy Director, Department of Planning and  
Economic Development  
Lyle M. Balderson, Community Development Director, Montana  
Department of Planning and Economic Development  
Del Siewert, Executive Vice President, Montana Chamber of Commerce  
Dan K. Mizner, Executive Director, Montana League of Cities and  
Towns  
William R. Lassey, Director, Center for Planning and Development,  
Montana State University  
Rudyard B. Goode, Dean, School of Business Administration,  
University of Montana  
Ray Stewart, Research Associate, Department of Planning and  
Economic Development

Partial funding provided by  
Community Service and Continuing Education, Title I, Higher  
Education Act of 1965

Transcribing and typing by  
Shirley Wyckman and Kathy Thomas, Center for Planning and  
Development, Montana State University



## FOREWORD

Early in December 1970, several hundred Montana citizens met for two days in the city of Great Falls at the invitation of Governor Forrest H. Anderson to consider the factors and review the facts that would go into developing a "Strategy for the Seventies". This was the theme of the conference, and contributors to the proceedings came from private and public agencies and organizations both within the state and the region as well as from farther afield.

The conference was sponsored by the Department of Planning and Economic Development with the cooperation of the University of Montana, Montana State University, the Montana Chamber of Commerce, and the League of Cities and Towns. It began with a review by Dr. Samuel B. Chase, Jr. and some of his associates, of a comprehensive economic study of the state, analyzing the unique aspects of its economy, its strengths, its weaknesses, and its prospects. The written summary of that study, which comprises Vol. I, is reproduced here in its entirety.

A feature of the opening remarks by Governor Anderson was the announcement of a statewide committee he would appoint to draw up a statement of goals and objectives to be pursued by Montana during the coming years. For the benefit of that committee in its deliberations, and for other Montanans who could not attend the conference, there are reproduced here some of the most significant presentations from the two days at Great Falls. Some have been transcribed from tape recordings, others are in outline from the speaker's notes, and still others were provided in written form by the authors. Inevitably, much of the flavor of the presentations is lost in the transfer to the printed page, and there has been no attempt to reproduce the conference in its entirety; but the accuracy of these proceedings is due to the patient editorship of Howard Huffman and his associates at the Center for Planning and Development, Montana State University.

Perry F. Roys, Executive Director  
Montana Department of Planning and Economic Development



## TABLE OF CONTENTS

	<u>Page</u>
Acknowledgements	ii
Foreword	iii
Figures	vi
Tables	vii
Welcome to a City Where Planning Counts Mayor John J. McLaughlin	1
A Keynote for Strategy for the Seventies The Honorable Forrest H. Anderson, Governor of Montana	5
 THE MONTANA ECONOMIC STUDY: FINDINGS AND IMPLICATIONS	
Summary of Findings and A Consideration of Their Implications Montana Economic Study	9
Employment in Montana: Patterns and Predictions Maxine C. Johnson	74
An Outline of the Economic Regions Used in the Montana Economic Study Paul E. Polzin	80
Implications of the Montana Economic Study for Local Communities William R. Lassey	89
Environmental Implications of Economic and Growth Policies Albert G. Melcher	92
THE MONTANA ECONOMY IN REGIONAL PERSPECTIVE Donald R. Grangaard	97
 DEVELOPMENT PROSPECTS FOR MONTANA	
Development Prospects for Montana - The Case for Agriculture Richard J. McConnen	105
Development Prospects for the Forest Products Industry Leo K. Cummins	110

	<u>Page</u>
Montana's Minerals' Industry James A. Robischon	113
Development Prospects for Tourism and Recreation Gus Raaum	117
The Indian's Role in Montana's Development Barney Old Coyote	127
THE NATIONAL AND REGIONAL FRAMEWORK FOR PLANNING	
Land Use Planning in the 70's Ted Schwinden	131
The Federal Government's Role in Rural Areas Development Lloyd Davis	134
Institutional Change and the Planning Framework William T. Van Orman	138
Federation of Rocky Mountain States - 1970 Regional Planning Program David K. Hartley	145
Federal Programs for Montana's Needs: The Missouri River Economic Development Commission George D. McCarthy	161
POLITICS IN PLANNING AND DEVELOPMENT Jack M. Campbell	167
STATE PLANNING: IMPLEMENTATION AND ACTION	
Governor's Conference Summary C. R. Draper and Perry F. Roys	175
FIGURES	
1.1 Percentage Increases in Population, Employment, and Income - United States, Rocky Mountain States, and Montana	11
1.2 Percentage Increase in Population - Rocky Mountain States, 1950-1968	13



	<u>Page</u>
1.3 Per Capita Personal Income - United States and Rocky Mountain States, 1950 and 1968	16
1.4 Per Capita Personal Income as a Percentage of United States Average - Rocky Mountain States, 1950 and 1968	17
1.5 Civilian Employment - Montana, 1950, 1960, 1968, and Projected 1980	25
1.6 Montana Economic Regions	28
1.7 Percentage Change in Population and Civilian Employment - Montana Economic Regions, Projected 1968-1980	31
1.8 Per Capita Personal Income - Montana Economic Regions, 1950, 1966, and Projected 1980	32
1.9 Unemployment as a Percentage of the Civilian Labor Force - Montana and United States, 1957-1969	38
1.10 Percentage Change in Population - Montana Counties, 1960-1970	68

#### TABLES

1.1 Percentage Change in Personal Income - United States and Rocky Mountain States, 1950-1968	14
1.2 Population, Employment and Income - Montana and Neighboring States, 1950 and 1968	18
1.3 Resident Population and Total Civilian Employment - Montana, 1950, 1960, 1968 and Projected 1980	24
1.4 Total Personal Income and Per Capita Personal Income - Montana and United States, 1960, 1968, and Projected 1980	26
1.5 Population and Civilian Employment - Montana Economic Regions, 1950, 1968, and Projected 1980	29
1.6 Percentage Distribution of Money Income of Families Montana and United States, 1959	34



	<u>Page</u>
1.7 Percentage Distribution of Money Income of Families and Median Family Income, Urban and Rural Areas - Montana and United States, 1959	35
1.8 <u>Fortune</u> Survey of Community Factors Affecting Location Decisions	58
1.9 State and Local Tax Policies Designed to Attract and to Hold Industry - Classified by Type and Character of Action	60
1.10 Percentage Increases in Population, Employment, and Income - United States, Rocky Mountain States, and Montana, 1950-1968	61
-- Population, Employment, and Income by Regions	86

## OPENING ADDRESSES



## WELCOME TO A CITY WHERE PLANNING COUNTS

by the Honorable John J. McLaughlin<sup>1</sup>

The City of Great Falls is proud and happy to have been chosen as the site for this Governor's Conference whose theme is "Strategy for the Seventies."

On behalf of our entire city population we bid you a warm and hearty welcome.

To us in Great Falls, as to all of you I am sure, this conference is given top priority for the rest of this week. It has precedence over many other matters because the theme itself, "Strategy for the Seventies," fires the imagination and makes each one of us proud to be part of this planning process in a decade that may well result in a change of the whole process of American life.

In your letter of invitation of November 6th, you say, "The sessions are intended to help establish state goals and objectives to further planning for orderly change in Montana." This objective, "orderly change," is a commendable one, but I can guarantee you that there will be many changes come about that will not be orderly.

We live in an age of controversy. The cost of living spiral, the war in Vietnam, and many other factors have thrown this country into a complete state of social revolution. We cannot sweep this back under the rug. It must be faced. Many of our citizens find themselves unable to cope with the changes that have already taken place, and are taking out their frustrations on federal, state, and local government officials, particularly at the local level. Any major issue finds itself faced with government by petition, by trial in the press media, and by every type of public challenge. Governing a society of this type is becoming increasingly difficult; it is impossible to accomplish planned goals and objectives on a given schedule. But, we do have to live with this fact and bear it in mind as we go along.

We in Great Falls have gone all out in planning. We have a fine planning board made up of dedicated citizens. We have assessed the full mill levy allowed for this effort, and use it in our planning department, which has a full-time staff.

---

<sup>1</sup>  
Mayor of the City of Great Falls.

We have an organization called "Forward Great Falls", which is our citizens' participation committee. It is made up of many dedicated citizens who work through sub-committees and their task forces to study every area of our economy (building programs, for instance), and every facet of the problems dealing with the health, welfare, and safety of our citizens.

We have received 701 funds from HUD for several years to augment our mill levies to help this planning effort. We carry out the workable program suggested by HUD, and have received a certification certificate for the last several years.

We try to be ready for any opportunity offered to us by industry, we work closely with the Chamber of Commerce and all other local groups, keeping everybody informed through proper communication. We feel that this effort has paid off.

In doing all of these things, we keep in mind our responsibilities to the rest of the state. Great Falls knows that we must keep the welfare of other cities and towns in mind, and work with them in accomplishing our task. If it is one world we live in today, certainly then it is "one state", and nobody can "go it alone." This is our policy, and this will be our policy in the future.

We are registered here today with serious intent. We must get the most possible out of this conference and then impart this knowledge and experience to the rest of our citizens.

This conference could well go down in history as the turning point in alleviating our local and state-wide fiscal problems, as well as in getting the state rolling toward prosperity through the use of our potential assets. Let us hope that this is what it accomplishes. In order to do this, I think each one of us should make up our minds right now to be bold and blunt in proposals that have been somewhat neglected or shied away from for political reasons or some other expediency.

Lastly, I would suggest to all of us who have the privilege of taking part in so vital a conference as this, where we are planning the strategy for the seventies, to broaden our visions, and shun the philosophy that we have our own little nest in Montana where we keep out intruders. We should invite legitimate and beneficial investment capital to use our resources, our space, and our many horizons, in order to alleviate the congestion in areas in the east, middle west, and pacific cost regions. Isolationism has never worked in the history of the world. Let us not make this mistake.

In forming the strategy for the seventies, let us keep our priorities flexible. Ten years is a long time, and we should have learned by now that anything can happen to us here. Our minds, our philosophy and our general attitude must be conditioned to meet either prosperity or disaster with the cool judgment derived from faith in ourselves, and the confidence that comes from having done the best you could in an honest approach to preparedness and planning for any eventuality. This is what I believe is our purpose in being here today.

Thank you, good luck, and may the Almighty see fit to inspire us in this awesome responsibility.







## A KEYNOTE FOR STRATEGY FOR THE SEVENTIES

by the Honorable Forrest H. Anderson<sup>1</sup>

We are gathered to begin the work of determining a strategy for the seventies. If we listen to prophecies of failure, this will be a strategy of pessimism.

I am not saying we should ignore the dismal projections of the Montana Economic Study and other indicators. I am saying, however, we cannot passively accept these forecasts and allow the economy of Montana to further decline. We must fight back.

The economic study is a valuable document. It is a chronicle of past mistakes. It is a study of present problems. And, it is a projection of future difficulties.

The study demonstrates that many of Montana's economic problems are more severe than many believed. It is an alarm that should jolt those who have slumbered in apathy. It is a challenge that should bring us together in an effort to halt the economic decline this state has experienced since the end of the Second World War.

I personally would like to embarrass the economists. I would like to show them their projections are not inevitable. I want to demonstrate that Montana can improve the balance and productivity of her economy and the quality of life of her people. And I know they would like to see this happen.

The economists told us the truth. Montana has serious economic problems. For instance:

Employment has declined in our historic industries-- agriculture, mining, forest products and railroads-- and compensating alternatives have not been developed.

Personal income is 14 percent below the national average.

Out-migration of the young, due to a lack of opportunities, has made Montana one of the few states in the nation where those of working age are a minority of the population. This means the majority are either in school or retired.

---

<sup>1</sup> Governor of the State of Montana.

Montana is isolated from markets. Our producers are victimized by exorbitant freight rates. And, we have been unable--so far--to develop the vertical integration necessary to a strong and balanced economy.

Because the state's major industries are extractive and resource-dependent, Montana has a colonial economy.

These are only some of the serious economic problems affecting this state. They are, however, more than facts and figures. They determine how each of us is able to live, and raise and educate our children.

We also have serious environmental problems. Montana was fortunate to have been bypassed by massive industrialization and the environmental stupidity of that development. There are many areas in this state, however, where the environment has been seriously or irreparably damaged. It is essential that pollution of the water and air, and degradation of the land be controlled and eventually eliminated.

Presently, the population of Montana is scattered across a vast area. But we must consider the possibility of urban congestion and the myriad of attendant environmental and social problems. Something must be done to develop an economy which will allow Montanans to earn a decent living. Something must be done to preserve the environment.

Difficult decisions must be made. A strategy must be established for the seventies, and coming decades, to promote the best possible quality of life for the people of this state.

Government should be people. Thomas Jefferson, the major force in the creation of our government, intended people to participate in the affairs of state. This was his vision of a democratic system. It is an idea that has been lost in history.

Today, government is bureaucracy. I do not believe government alone is capable of making the decisions that will be required to maintain and enhance the quality of life in Montana.

People must again become involved in the decision-making process. The decisions that will be made in the coming years will affect all of the people of this state. They cannot be based on the interests of a narrow minority. If irresponsible industrialists were to make the essential decisions, Montana would become a wasteland. If extreme environmentalists were to make the essential decisions, Montana would revert to wilderness.

It is vital a course be charted somewhere between these poles. Montanans must begin now to plan for the future. These plans will determine the quality of life in this state in the coming years. They must be based, as much as possible, on a broad representation of interests and ideas.

Montana must make decisions in regard to economic growth. We must decide what type of growth we want and how it is to be achieved. We do not want development that will destroy the environment. We do not want low paying or seasonal industries that will further depress per-capita income. We must identify and attempt to develop those industries that will make a positive contribution to the quality of life.

We must develop a strategy for the seventies and beyond. This strategy must be flexible. It must consider all interests. It must be balanced between the extremes. And, it must be a strategy to serve the best interests of the people of Montana.

I believe this is the appropriate time and place to announce my intention to establish a Citizen's Advisory Committee on State Goals and Objectives. This Committee will have two primary purposes. It will be intended to promote citizen participation in state government and to develop a consensus on the problems we must face in the coming years.

The Committee membership will include representatives from local, state and federal government, private enterprise, agricultural groups, labor organizations, trade and professional associations and the press and communications media. We seek broad representation to assure that Montana's varied interests will have a voice on the Committee.

We must begin immediately to answer the crucial question of whether a sound economy can exist in a quality environment. I personally do not believe economic development and environmental protection are mutually exclusive. As we move forward, we must look in both directions. We must provide employment for the people of this state and protect the environment for the present and coming generations. This is the essential compromise upon which the future depends. The Citizen's Advisory Committee will be designed to assist state government in striking this balance.

I believe the Seventies will be a crucial decade in the history of this state. We have ignored serious problems for too long. Economic decline has insidiously robbed Montana of her appropriate share of the national wealth. Environmental quality is threatened.

The people of this state have indicated they believe Montana has gone too far in the wrong directions for too long. The people want change. And now is the time.



Those of us gathered for this conference, and all Montanans, must begin a new history of progress and protection. I hope this conference will be a beginning.

## THE MONTANA ECONOMIC STUDY: FINDINGS AND IMPLICATIONS



## CHAPTER 1

### Summary of Findings and a Consideration of Their Implications<sup>1</sup>

Montanans have a vital stake in the performance of the state's economy. The Montana Economic Study endeavors to provide information that will contribute to an understanding of the economic forces that profoundly affect the well-being of the state's residents, and to the formulation of sound state economic policies.

Our Report is divided into two parts. Part 1 analyzes developments between 1950 and 1968, and sets forth projections of population, employment and income in 1980. It also treats a number of particular problems such as poverty, unemployment, pollution and low population density, and points to some of the advantages of life in Montana. Part 2 analyzes each of the state's major industries in detail.

This chapter summarizes the findings of Part 1 and then considers some of the implications of these findings for state economic development policies. The summary set forth here only skims the surface of the detailed analyses found in Chapters 2-8 of Part 1. It is hoped that those who are deeply interested in Montana's economy will read those chapters and all of Part 2 as well. In addition, some readers may want to consult the staff studies that underlie the Report.

#### MONTANA'S ECONOMY: 1950-1968

The fur trade of the 1840s represented the first significant attempt by white men to make a living in Montana, and from then until World War II, there were few dull moments in the state's economic history. After fur came one economic frontier after another--precious metal mining, then copper mining, then livestock, and then dry-land farming. All of the booms were spectacular, but the last one was probably the most fragile. The heartbreaking agricultural depression of the 1920s led to a massive out-migration of bankrupt farmers, numerous bank failures, and a general economic malaise that persisted during the ensuing years of the national Great Depression of the 1930s. These times bring back memories of stark unemployment in the cities and farms blowing away in never-ending spirals of dust.

Since World War II, Montana's economy has become relatively colorless. Diversification has made it more tame--less dependent on the ups and downs of single industries. The figures presented in this study, therefore, do not reflect any dramatic booms and busts. Rather they portray a steady erosion of the state's position relative to the national economy.

---

<sup>1</sup> This is a complete reproduction of Volume I, Chapter 1, of the Montana Economic Study. Director of the Study was Dr. Samuel B. Chase, Jr., Professor, Department of Economics, University of Montana, Missoula.



Montana's economic specialization now has many roughly equivalent facets--agriculture, mining and metal processing, forestry, and, in some areas of the state, a substantial tourist business. The two industries that were most critical to Montana as the 1950s began--agriculture and mining--have declined rapidly as sources of employment and income. Narrow specialization is no longer the most notable feature of Montana's economy. What stands out now is sluggish overall growth.

The economic statistic most commonly cited to make this point is per capita personal income--total personal income divided by population. In 1950, Montana was a full 8 percent above the national average by this measure. By 1968, it had dropped to 14 percent below the national average. These income statistics do not take into account differences in living costs among states. Accurate information comparing living costs in Montana with those elsewhere is not available. But available data on living costs in nonmetropolitan urban areas in the western and north central states suggest that while living costs in Montana may be slightly below the average for the nation as a whole--perhaps 2 to 3 percent, they are not nearly enough lower to alter the conclusion that per capita real income in the state is now far below the national average.

Montana's real per capita personal income--that is, per capita income measured in dollars of constant purchasing power--did, to be sure, increase by 26 percent during the 18 years 1950-1968. But nationally, over the same period, real per capita income rose 60 percent, more than twice as much.

It ought to be pointed out that during the years immediately following World War II Montana was unusually prosperous, thanks largely to the favorable prices received by farmers and ranchers. In 1948, per capita personal income in Montana had been 13 percent above the national average, higher than in any other year since 1929, the earliest year for which estimates are available. But since this high point was reached, Montana's relative economic decline has been monotonously steady (although it has been interrupted now and then by years of above-average prosperity for agriculture).

The slow growth of income has been accompanied by a tendency for the state's unemployment rate to hover about 1 percentage point above the national average, and by an increasingly rapid out-migration of residents, especially among the better-educated young people who leave in search of better opportunities elsewhere.

The next few pages compare trends, since 1950, of Montana's population, employment, and income with those of neighboring states and the United States as a whole.

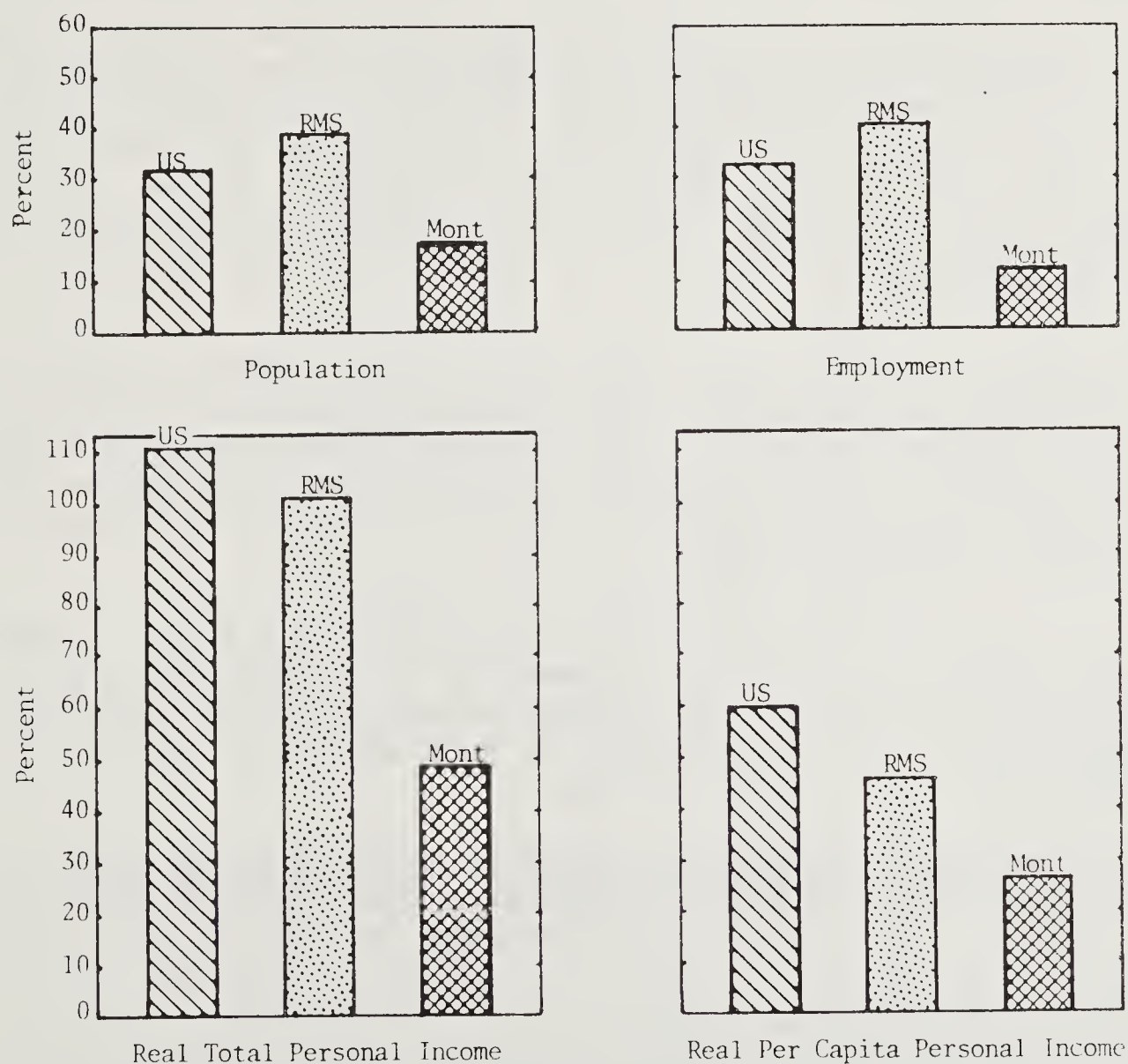
## Population, Employment, and Income, 1950-1968

Figure 1.1 shows the percentage growth of population, employment, and income during the 1950s and most of the 1960s for Montana, the United States as a whole, and the Rocky Mountain region (defined by the U.S. Department of Commerce to include Montana, Idaho, Wyoming, Utah, and Colorado).

A glance at the chart shows that Montana has grown less rapidly by all four measures. Over the 18 years 1950-1968, population

Figure 1.1

### Percentage Increases in Population, Employment, and Income United States, Rocky Mountain States, and Montana 1950-1968



Sources: U.S. Department of Commerce, Bureau of the Census; Montana Employment Security Commission; and Montana Economic Study.

NOTES: Employment changes are for 1950-1967.

United States excludes Alaska and Hawaii in 1950 and includes Alaska and Hawaii in 1968.

increased only 17 percent in Montana--not quite half as fast as it did in the Rocky Mountain states as a group, and only slightly more than half as fast as it did nationally.

The slow growth of Montana's population reflected the slow increase in job opportunities in the state. Between 1950 and 1967 (the last year for which we have an estimate for the Rocky Mountain region), Montana's employment increased only 14 percent, compared with increases of 33 percent nationally and 41 percent in the Rocky Mountain states. (The job statistics used in these comparisons exclude self-employed workers outside agriculture and all household workers. The excluded employment amounts to only about 10 percent of total jobs.)

The best single measure of overall economic activity in the state is total personal income. This figure is estimated each year by the Department of Commerce, and includes current income from all sources.

The bars in the bottom panel of figure 1.1 show percent increases in real personal income between 1950 and 1968--income measured in dollars of constant purchasing power. Montana's real total personal income rose 48 percent over the 18-year period; for the nation as a whole, real total personal income rose 111 percent; and in the 5 Rocky Mountain states as a group, it rose 101 percent. By this measure, then, Montana's economy grew less than half as fast as those of either the nation or the region.

In part, of course, this reflected the slow growth of population and employment in the state. A more meaningful measure of the economic welfare of Montana residents is given by per capita personal income. As we have already noted, Montana's per capita personal income fell from 108 percent of the national average in 1950 to only 86 percent of the national average in 1968.

The right-hand portion of the bottom panel of figure 1.1 shows the same thing in another way. Between 1950 and 1968, per capita personal income in dollars of constant purchasing power rose 60 percent nationally, and 47 percent in the Rocky Mountain region. But it increased only 26 percent in Montana.

Thus by any of the measures shown in figure 1.1--employment, total income, or per capita income--Montana's economy has been growing slowly.

### Individual Rocky Mountain States

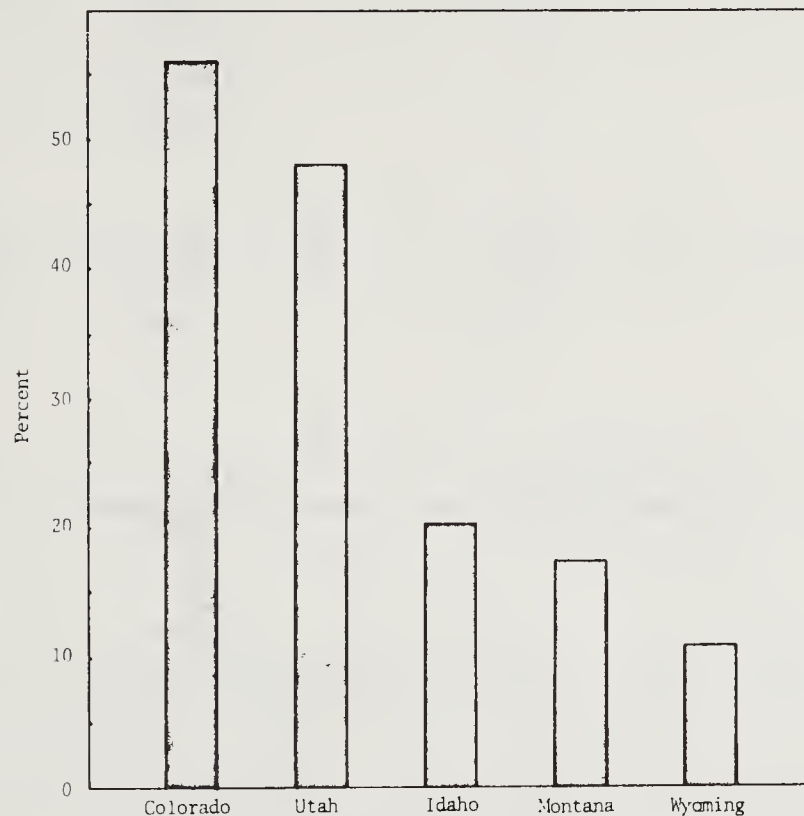
Data for the Rocky Mountain states as a group can be deceiving. Colorado and Utah, which together accounted for nearly two-thirds of the region's total population in 1968, have both grown rapidly since World War II. As figure 1.2 shows, Colorado's population increased



56 percent over the 18 years 1950-1968. Utah's population increased 48 percent. But Idaho (20 percent), Montana (17 percent), and Wyoming (11 percent) all lagged far behind.

Figure 1.2

Percentage Increase in Population  
Rocky Mountain States, 1950-1968



Source: U.S. Department of Commerce, Bureau of the Census.

The disparate rates of growth of population reflected the much more rapid growth of employment in Colorado and Utah. Agricultural employment fell in all of the Rocky Mountain states. But agriculture is less important, relatively, in Colorado and Utah, and nonagricultural employment grew much faster in both of these states than it did in the rest of the region. Between 1950 and 1968, civilian payroll jobs outside agriculture increased 91 percent in Colorado, and 77 percent in Utah, compared with only 32 percent in Montana, and 46 and 27 percent in Idaho and Wyoming, respectively.

Table 1.1  
 Percentage Change in Personal Income  
 United States and Rocky Mountain States, 1950-1968  
 (1958 Dollars)

	Total Personal Income	Civilian Participation Income		
		Total	Farm	Nonfarm
United States	+111.3	+104.2	-24.9	+116.9
Rocky Mountain States	+100.8	+ 92.1	-29.9	+121.1
Colorado	+142.1	+141.8	-15.3	+165.8
Utah	+121.4	+116.8	-44.3	+135.7
Idaho	+ 71.6	+ 57.9	-20.7	+ 85.5
MONTANA	+ 48.2	+ 30.7	-42.0	+ 64.6
Wyoming	+ 45.2	+ 39.4	-34.5	+ 58.6

---

Sources: U.S. Department of Commerce, Office of Business Economics; and Montana Economic Study.

The differing rates of change in employment are reflected in differing rates of change in real total personal income. As table 1.1 shows, Colorado's total personal income (in dollars of constant purchasing power) increased by 142 percent between 1950 and 1968--considerably faster than the nationwide increase of 111 percent. Utah's personal income also grew faster than the U.S. total. Personal income in Montana, Idaho, and Wyoming, however, grew much more slowly.

The second, third, and fourth columns of figures in table 1.1 show the growth of real civilian participation income over the same 18 years. This figure, which accounts for most of total personal income, includes all civilian wages and salaries, and all income of self-employed persons and proprietors of unincorporated businesses. (The balance of personal income is accounted for by military payrolls, property income--interest, dividends, rent--and transfer payments, including social security benefits, welfare payments, and unemployment compensation.)

Generally, as participation income goes, so goes total personal income. The second column of table 1.1 shows that real civilian participation income rose faster in both Colorado and Utah than it did nationally, but it rose much more slowly in Idaho, Montana, and Wyoming. In fact, the increase for Montana was only 31 percent over the 18 years, smaller than for any of the other Rocky Mountain states, and less than a third as great as the national increase.

The third and fourth columns of table 1.1 show changes in civilian participation income from agricultural and nonagricultural pursuits separately. Real participation income from farming and ranching fell between 1950 and 1968, both nationally and in every state in the Rocky Mountain region. But the decline was more severe in Montana than in any of the other mountain states except Utah. Montana's real nonfarm participation income rose only 65 percent, little more than half the growth rate for the Rocky Mountain region as a whole. Only in Wyoming was the increase smaller.

The slow growth of Montana's total personal income between 1950 and 1968, then, was due both to a faster-than-average decline of agricultural income and a slower-than-average increase of nonagricultural income.

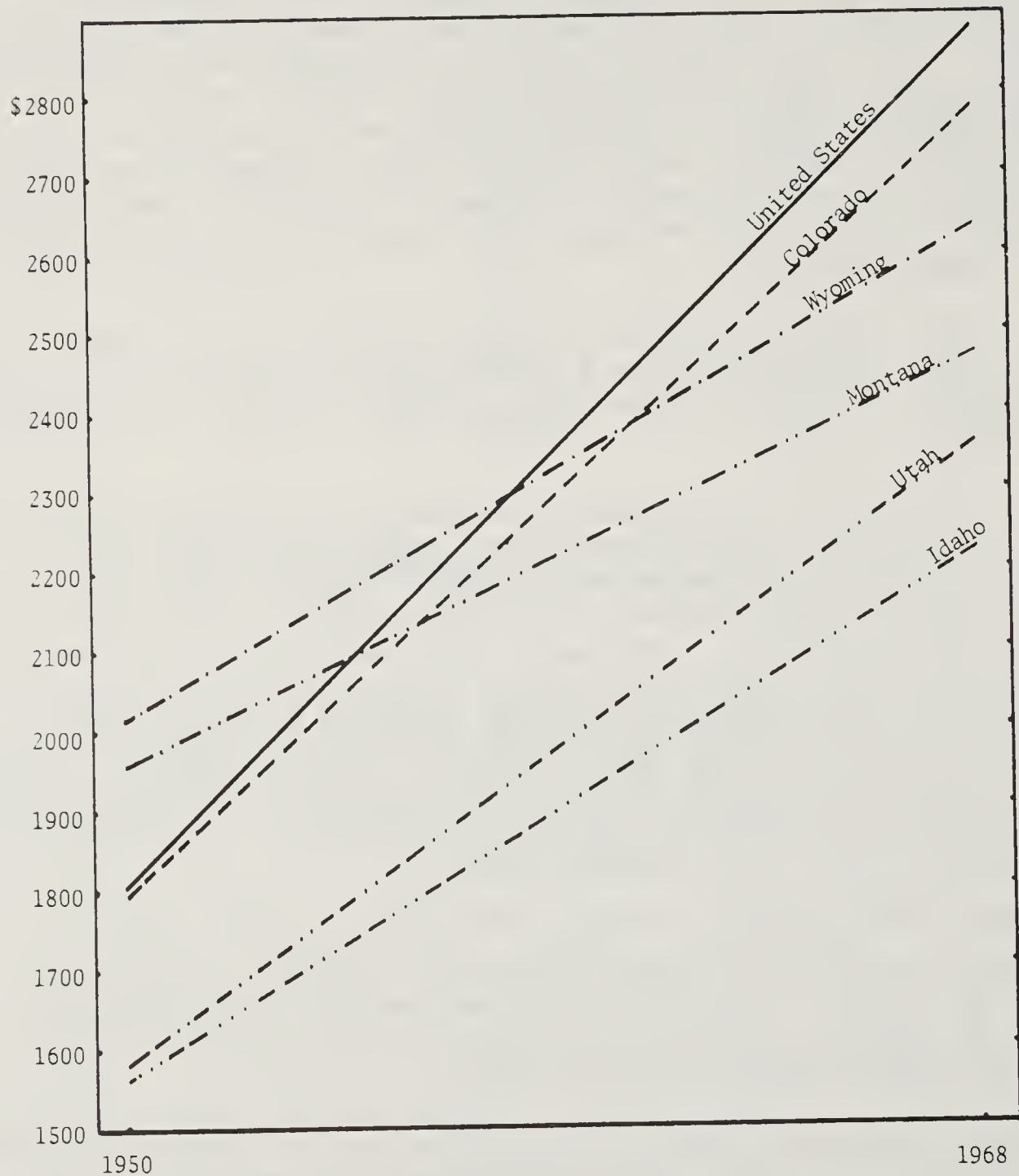
These facts are not necessarily evidence of a serious economic problem. The data on the growth of per capita real income are. Figure 1.3 shows per capita personal income for the United States and the five Rocky Mountain states in 1950 and 1968, all measured in dollars of 1958 purchasing power. (The use of 1958 dollars follows standard practice of the Department of Commerce.) In 1950, per capita income in Montana was higher than in any other state in the region except Wyoming; it was, as we mentioned earlier, 8 percent above the national average. But by 1968, both the U.S. average and Colorado's per capita income, as well as Wyoming's, were above Montana's. The Montana figure did remain above those for Utah and Idaho.

However, the increases in real per capita income--whether they are measured in dollars or percentages--were greater in every other state in the region. And whereas Montana ranked twelfth among the 48 states in terms of per capita income in 1950, it ranked thirty-first among these same 48 states in 1968.

Montana's relative decline can also be seen in figure 1.4, which shows, for each of the Rocky Mountain states, per capita personal income as a percentage of the United States average in both 1950 and 1968. In all five states, per capita income fell relative to the national average, but the decline was steepest in Montana.

Figure 1.3

Per Capita Personal Income  
United States and Rocky Mountain States, 1950 and 1968  
(1958 Dollars)



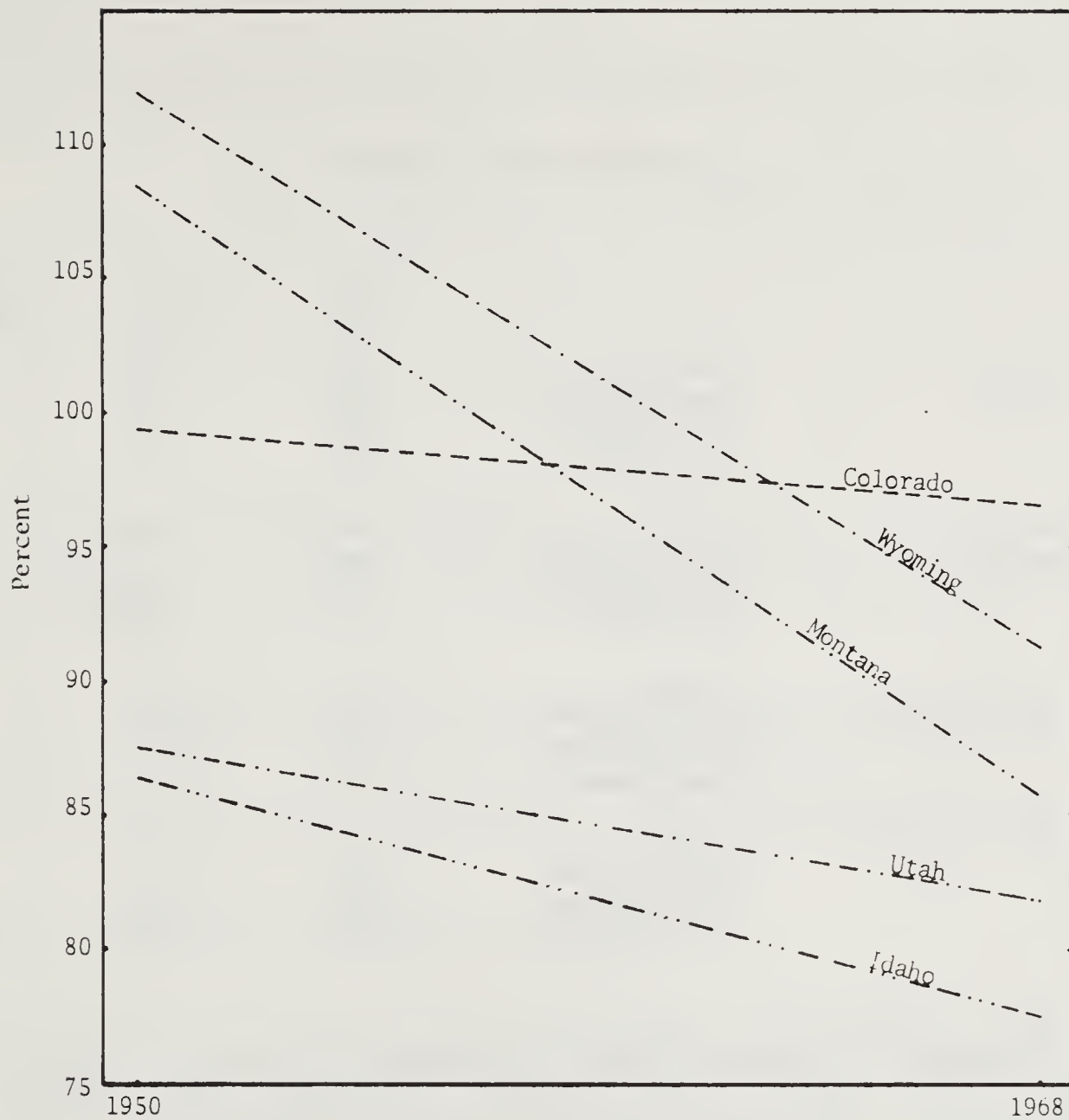
Sources: U.S. Department of Commerce, Office of Business Economics; and Montana Economic Study.

Note: United States excludes Alaska and Hawaii in 1950 and includes Alaska and Hawaii in 1968.



Figure 1.4

Per Capita Personal Income  
as a Percentage of United States Average  
Rocky Mountain States, 1950 and 1968  
(1958 Dollars)



Sources: U.S. Department of Commerce, Office of Business Economics; and Montana Economic Study.

#### Other Nearby States

The Rocky Mountain region does not include North Dakota, South Dakota, or Washington, three neighboring states whose economies are of particular interest to Montanans.

In both North Dakota and South Dakota population grew more slowly between 1950 and 1968 than it did in Montana: This reflects the greater impact of declining agricultural jobs in those two states. As table 1.2 indicates, payroll jobs outside agriculture rose 41 percent between 1950 and 1968 in both North Dakota and South Dakota, compared with an increase of only 32 percent in Montana.

Table 1.2

Population, Employment and Income  
Montana and Neighboring States, 1950 and 1968

		1950	1968	Percentage Change 1950-1968
Population (July 1) (thousands of people)	Montana	593	696	17.4
	North Dakota	619	624	0.8
	South Dakota	655	665	1.5
	Washington	2,387	3,296	38.1
Nonfarm civilian payroll employment (thousands of workers)	Montana	149.0	196.1	31.6
	North Dakota	108.7	153.6	41.3
	South Dakota	118.5	167.1	41.0
	Washington	683.7	1,097.0	60.5
Total personal income (thousands of 1958 dollars)	Montana	\$1,160	\$ 1,719	48.2
	North Dakota	943	1,443	53.0
	South Dakota	981	1,591	62.2
	Washington	4,819	10,186	111.4
Per capita personal income (1958 dollars)	Montana	\$1,957	\$ 2,470	26.2
	North Dakota	1,523	2,313	51.9
	South Dakota	1,499	2,392	59.6
	Washington	2,019	3,090	53.0

Sources: U.S. Department of Commerce, Bureau of the Census and Office of Business Economics; U.S. Department of Labor, Bureau of Labor Statistics; and Montana Economic Study.

Notes: Employment excludes self-employed workers and all household workers. Montana employment adjusted to eliminate the effects of a copper strike in 1967-1968.

Per capita income was substantially lower in both Dakotas than in Montana in 1950. Between 1950 and 1968, however, real per capita personal income increased 52 percent in North Dakota and 60 percent in South Dakota, compared with an increase of only 26 percent in Montana. As a result, Montana's per capita income was only 6 percent above North Dakota's, and only 3 percent above South Dakota's, by

1968. Thus, although Montana's population grew faster than did that of the Dakotas over these 18 years, its per capita income grew much more slowly.

In Washington, population increased 38 percent between 1950 and 1968, more than twice as fast as it did in Montana. Civilian payroll employment outside agriculture increased by a full 60 percent. Most of the spark was provided by 107,500 new jobs in manufacturing, including 85,000 in the aircraft industry. Washington's real per capita personal income rose 53 percent between 1950 and 1968, more than twice as fast as it did in Montana, and by 1968 per capita income in Washington was 25 percent higher than it was in Montana.

When Montana is compared with these three states, just as when it is compared with the states of the Rocky Mountain region, what stands out most vividly is the slow growth of Montana's per capita income. In fact, among all of the 48 conterminous states (Alaska and Hawaii were not states in 1950), Montana ranked next to last in terms of growth of per capita personal income between 1950 and 1968.

It is, of course, important to bear in mind that these figures are averages. There were areas within the state where opportunities were plentiful, and it was possible for numerous Montanans with ability, imagination, and a modicum of good luck to do very well for themselves during these years.

But the aggregate data make an unmistakable point: by and large, Montana's economic performance during the 1950s and 1960s was anemic, and overall the state and its citizens received far less than a full share of either national prosperity or the prosperity of the region.

### Factors Behind Montana's Slow Growth

Chapters 2 and 3 of this study inquire systematically into the reasons for the sluggish growth of Montana's population, employment, and income between 1950 and 1968. They show that, although the forces at work during the 1950s were different from those that shaped the events of the 1960s in several respects, both periods were dominated by a slow growth of employment opportunities. Although the following discussion is based on the findings of Chapters 2 and 3, it is too brief to do justice to the detailed analysis presented in those chapters, and interested readers are urged to read them in full.

Population and Employment. Between 1950 and 1960, the nation's population increased 18 percent; Montana's population increased 14 percent (from 591 thousand to 675 thousand). The unusually rapid rate of increase in the national population was due mainly to the very high birth rates of the early 1950s.



The difference between Montana's rate of population growth and the national one did not trace to a disparity of birth and death rates, but rather to a substantial excess of people moving out over people moving in. Over the decade, net out-migration averaged about 2,500 persons per year.

The evidence does not indicate that people left because it was too cold, or because they failed to appreciate the way of life here. There were simply not enough jobs to support them. According to our estimates, total jobs in Montana rose from 229 thousand in 1950 to 237 thousand in 1960, or about  $3\frac{1}{2}$  percent. Nationally, employment rose nearly 13 percent over the same period.

We estimate that for net out-migration and rising unemployment to have been averted, the number of jobs in Montana would have had to rise more than three times as fast as it did during the 1950s. Net out-migration, then, was due to a large "job gap"--a failure of jobs to grow as fast as the "natural" growth of the state's labor force.

During the 1960s, population growth slowed, both nationally and in Montana. Birth rates declined sharply and, in Montana's case, population out-migration intensified. Nationally, population rose 11.0 percent between 1960 and 1968. According to Census Bureau estimates, the number of people in Montana increased by only 2.5 percent between July 1, 1960 and July 1, 1968. (The final tabulation from the 1970 Census, which was not available until after our study had been completed, showed that Montana's population on April 1, 1970 was 694,409, up 2.9 percent from April 1, 1960. This final tabulation does not call into serious question the estimate of 696 thousand for July 1, 1968, a figure used extensively in our work. Census Bureau estimates indicate that, after reaching a peak of 705 thousand in 1964, the state's population declined slowly for the rest of the decade.)

The 1960s were years of enormous economic growth nationally. After stumbling through a series of recessions in the 1950s and early 1960s, the U.S. economy got moving. Unemployment, which had risen to intolerably high levels in the late 1950s and averaged 6.7 percent in the recession year 1961 had been reduced to a more reasonable 4.6 percent by 1965. By 1968, it had fallen to only 3.6 percent, and the sustained increase in total demand that had brought this decline in unemployment was posing a serious inflationary problem. (As of August 1970, policies designed to combat inflation had pushed seasonally adjusted unemployment up to 5 percent nationally. Regrettably, the Employment Security Commission of Montana has recently stopped publishing seasonally adjusted unemployment for Montana. However, based on past seasonal patterns, it appears that Montana's seasonally adjusted unemployment rate was about 6 percent in August.)

Over the 8 years 1960-1968, total civilian employment in the nation increased 15.1 percent; this reflected the combined influences of falling unemployment and a rapid growth of the labor force as the postwar baby crop began to reach working age.

In Montana, too, the rate of growth of employment picked up. Between 1960 and 1968, total jobs rose by 7.4 percent. But the increase in jobs in Montana was not nearly enough to accommodate the rapid "natural" growth of the labor force. The result was that workers migrated out of the state even more rapidly than they had during the 1950s.

The main reason that population grew so much more slowly in Montana than it did nationally was, again, the failure of Montana's economy to provide enough new jobs. In fact the job gap--the difference between the number of jobs necessary to absorb the growing labor force and the number that actually materialized, increased during the 1960s.

The detailed analysis of Chapter 2 shows that throughout the period 1950-1968 the slow growth of jobs was due to the nature of Montana's industry. The state specializes in only a few major export industries (industries that depend on national or international markets): agriculture, mining, forest products, and railroading. Actually, these "primary" industries provide far less than half of total jobs in the state, but they are the driving force behind economic growth (or decline).

In every one of these industries--agriculture, mining, forest products, and railroads--national employment has declined sharply since World War II. As Chapter 2 points out, the declines reflect rapid increases in productivity per-worker due to technological advances. Actually, employment in Montana held up better than might reasonably have been expected. Only in mining did the number of jobs in the state fall faster than it did over the nation as a whole. In agriculture, Montana's loss of jobs was substantially less, in percentage terms, than it was nationally. Railroad employment fell at about the same rate in Montana as it did nationally. And employment in Montana's lumber industry increased sharply, even though forest products jobs declines nationally.

Nonetheless, Montana's overall employment in these critical primary industries dropped substantially during the 1950s, and remained about constant during the 1960s. Most of the increase in national primary employment came in manufacturing industries that are either missing entirely or not very important in this state.



Fortunately for people who were looking for work in Montana, there was a substantial shift, both in the state and across the nation, toward what Chapter 2 labels "derivative" employment. This includes jobs in industries catering mainly to local markets, including whole-sale and retail trade; the service industries (barbershops, laundries, hotels and motels, and the like); finance, insurance, and real estate; truck, bus, and air transportation; construction; and state and local government. The shift toward derivative employment, which is still going on and can be expected to continue, offset part of the impact of the decline in primary employment, and caused total jobs to grow even as primary jobs fell.

The fact remains, however, that the state's labor market provided far too few jobs--primary or derivative--to absorb the natural increase in the labor force. Chapter 2 analyzes the resulting heavy net out-migration in detail. One of the most striking findings is that the rate of net out-migration of young male college graduates was much higher than that for other age-sex-education groups. Census data for 1950-1960 thus confirm the oft-heard complaint that the state loses a disproportionate share of its most talented young people.

The Slow Growth of Income. In 1950, Montana accounted for 0.425 percent of the nation's total personal income. By 1968, this share had fallen to 0.300 percent, or by nearly one-third. One reason, of course, was that Montana's employment, which accounts for most of personal income, rose so slowly. But, as has already been pointed out, per capita income in the state also grew at a miserable pace during these 18 years.

According to the analysis presented in Chapter 3, the major factors behind the slow growth of per capita income were: (1) a decline in real income per worker (including both self-employed and hired workers) in agriculture, despite an increase nationwide, (2) a failure of income per worker in nonagricultural pursuits to rise as fast in the state as it did nationally, and (3) a substantial decline in the proportion of the population at work, which meant that the ratio of people who had to be supported (and, in the case of youngsters, educated) to those who were at work increased.

The decline of real income per worker in agriculture reflected the unfortunate course of prices for livestock and grain, Montana's two major agricultural exports.

The below-average increase of real income per worker outside agriculture reflected in part a shift of workers away from higher-paying jobs--especially in mining and railroads--toward the lower-paying ones, especially in derivative industries. It also reflected the simple fact that there was an excess supply of labor in the state, which helps to explain why earnings rose less rapidly here than they did nationally, where there was more competition for workers.

Montana's ratio of employment to population was about 5 percent below the national average in 1950, but by 1968 it had fallen to 8 percent below the national average. The relative decline occurred mainly during the 1950s. According to data presented in Chapters 2 and 3, it reflects primarily heavy out-migration of young persons who had reached working age, but did not yet have children.

#### WHAT WILL THE FUTURE BRING?

Does the future hold more hope? We have endeavored to look ahead to 1980, and Chapter 4 gives detailed projections of population, employment, and income in that year.

National projections published by the National Planning Association, a private organization in Washington, D.C., are used as a background. NPA foresees a prosperous decade ahead for the country as a whole. Gross national product--total output of goods and services--is expected to increase at an average annual rate of 4.2 percent between 1968 and 1980, after correction for price level changes. This is only slightly below the remarkable 4.8 percent rate of increase of real GNP between 1960 and 1968. Unemployment in 1980 is projected at 3.7 percent of the labor force, much lower than it has been in early 1970, and nearly as low as it was in 1968. Per capita personal income for the United States in 1980 is projected at \$4,204 in 1958 dollars, 46 percent higher than it was in 1968.

It would be pleasant to report that we expect Montana, at long last, to share fully in this national prosperity. But our guess is that it will not.

Table 1.3 summarizes our Montana projections. We project that population will have risen to 725,000 in 1980, about 4 percent above its 1968 level. For the nation, NPA foresees a much faster increase in population, and our Montana projection implies continued heavy net out-migration.

The reason that we project population to grow so slowly is that we expect total civilian employment to rise only about 9 percent from 1968 to 1980, to about 278 thousand in the latter year. This is well below the increase in jobs that would be needed to absorb the "natural" increase in Montana's labor force.

Some details of our employment projection can be seen in figure 1.5. Among the primary industries, agricultural employment is expected

Table 1.3

Resident Population and Total Civilian Employment  
Montana, 1950, 1960, 1968 and Projected 1980

	Thousands of Persons or Workers				Percentage Change		
	<u>1950</u>	<u>1960</u>	<u>1968</u>	<u>Projected 1980</u>	<u>1950- 1960</u>	<u>1960- 1968</u>	<u>1968- 1980</u>
Resident population (July 1)	593	679	696	725	+14.5	+2.5	+4.0
Total civilian employment (average monthly)	228.5	236.9 <sup>a</sup>	254.4 <sup>a</sup>	278.4	+ 3.7 <sup>a</sup>	+7.4 <sup>a</sup>	+11.4 <sup>a</sup>

Sources: U.S. Department of Commerce, Bureau of the Census; Montana Employment Security Commission; and Montana Economic Study. Projections by Montana Economic Study.

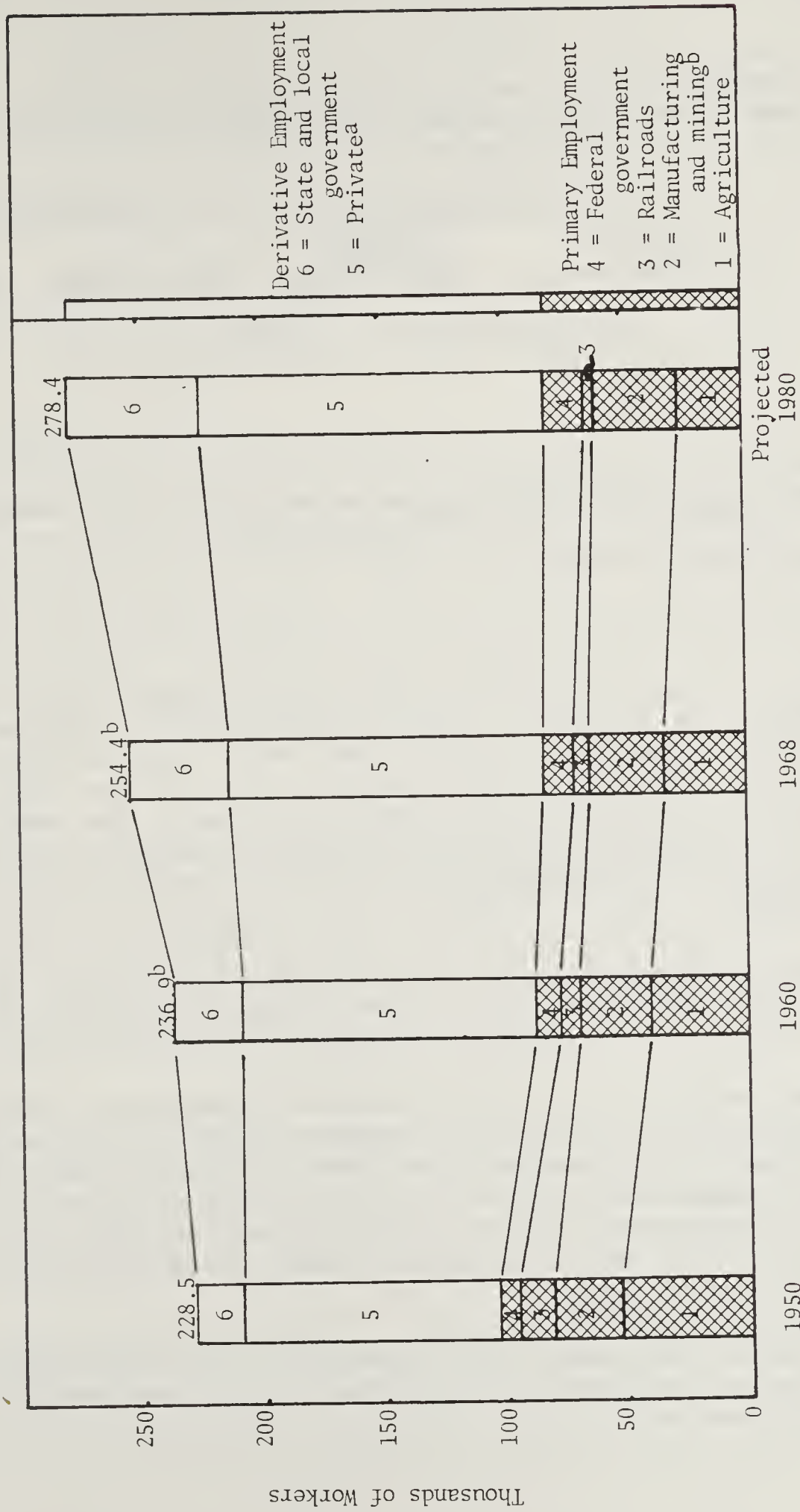
<sup>a</sup>Adjusted to eliminate effects of copper strikes of 1959-1960 and 1967-1968.

to decline further, as are railroad jobs. Employment in manufacturing and mining, however, is expected to increase somewhat, a prediction based partly on our assumption that at least three new open-pit copper mines will be established during the 1970s. This expectation, in turn, rests on an assumption that the market for copper will continue to be good, as it has been recently. The projected increase in mining employment also reflects our expectation that strip-mining of low-sulphur coal will increase as enormous reserves (located in Rosebud County) are brought into increased production. The growth of manufacturing employment includes new jobs in the forest products industry, which was the major source of increase in primary employment during the 1960s. Federal government employment, another important source of new jobs between 1950 and 1968, is also expected to increase rapidly.

Overall, however, these increases barely offset the projected declines in agricultural and railroad jobs, and total primary employment is projected to change very little. Derivative employment, on the other hand, is expected to continue increasing, as it has in the past. Especially noteworthy is our projection of a continued rapid increase in the number of state and local government jobs.



**FIGURE 1.5**  
**CIVILIAN EMPLOYMENT, MONTANA, 1950, 1960, 1968, AND PROJECTED 1980**



Sources: Payroll employment from Montana Employment Security Commission; agricultural employment estimated by Montana Economic Study; projections by Montana Economic Study.

<sup>a</sup>Private derivative employment includes payroll workers in: nonrail transportation; contract construction; wholesale and retail trade; finance, insurance, and real estate; services; and all nonfarm proprietors and household workers.

<sup>b</sup>Adjusted to eliminate the effects of copper industry strikes on employment in metal mining and primary metals manufacturing in 1959-1960 and 1967-1968.

Table 1.4

Total Personal Income and Per Capita Personal Income  
Montana and United States, 1960, 1968, and Projected 1980  
(1958 Dollars)

	Total Personal Income					Per Capita Personal Income				
	Millions of Dollars or Percent			Average Annual Percentage Rate of Change		Dollars or Percent			Average Annual Percentage Rate of Change	
	1960	1968	1980	1960-1968	1968-1980	1960	1968	1980	1960-1968	1968-1980
Montana	\$ 1,344	\$ 1,719	\$ 2,415	3.1	2.9	\$1,979	\$2,470	\$3,331	2.8	2.5
United States	\$387,489	\$576,477	\$985,644	5.1	4.6	\$2,153	\$2,885	\$4,204	3.7	3.2
Montana as a percentage of United States	.35	.30	.25			92	86	79		

Sources: U.S. Department of Commerce, Office of Business Economics, and Montana Economic Study. Montana projections by Montana Economic Study. United States projections by National Planning Association.

Note: United States data includes Alaska and Hawaii.

As table 1.4 indicates, we project that Montana's total personal income (measured in dollars of 1958 purchasing power) will reach \$2.4 billion in 1980, up about 40 percent from 1968. This represents 0.25 percent of NPA's projected total personal income for the nation as a whole. The continued decline of Montana relative to the rest of the country that is implied by our projection may be appreciated by recalling that in 1968 Montana accounted for 0.30 percent of the nation's personal income.

Per capita personal income of Montanans will be \$3,331 in 1980, according to our projections, 35 percent higher than it was in 1968, but 21 percent below the national average projected by NPA for 1980.

Our projections, then, do not foresee a reversal of Montana's decline relative to the nation as a whole. Unless we are badly mistaken, employment in Montana will continue to grow too slowly to provide adequate employment opportunities for the growing work force and thousands of persons will have to move elsewhere to find jobs. In this setting, the state's unemployment rate will probably remain above the national average.

Perhaps most important of all, however, is our expectation that Montana's per capita income will continue to grow less rapidly than the national average.



It should be stressed that we are not predicting a depression for Montana. In the immediate years ahead, as in the past, there will be impressive opportunities for talented people who are in the right place at the right time. And a vast majority of Montanans can expect to enjoy a standard of living that is high by either historical or international standards. But our projections do imply that, on average, Montanans will continue to share less than fully in national prosperity, at least insofar as prosperity is accurately measured by the trend of employment and per capita income.

### MONTANA'S ECONOMIC REGIONS

Montana is not only geographically large; it is also diverse, embracing several distinct economic regions. Chapter 5 analyzes differences among the six regions shown in figure 1.6. Here, the findings of Chapter 5 are summarized briefly. It should be emphasized that data relating to these regions are, for the most part, much less reliable than those for the state as a whole. In particular, the regional employment numbers include some rough allocations made necessary by lack of regional detail in some of the official figures compiled by the Employment Security Commission.

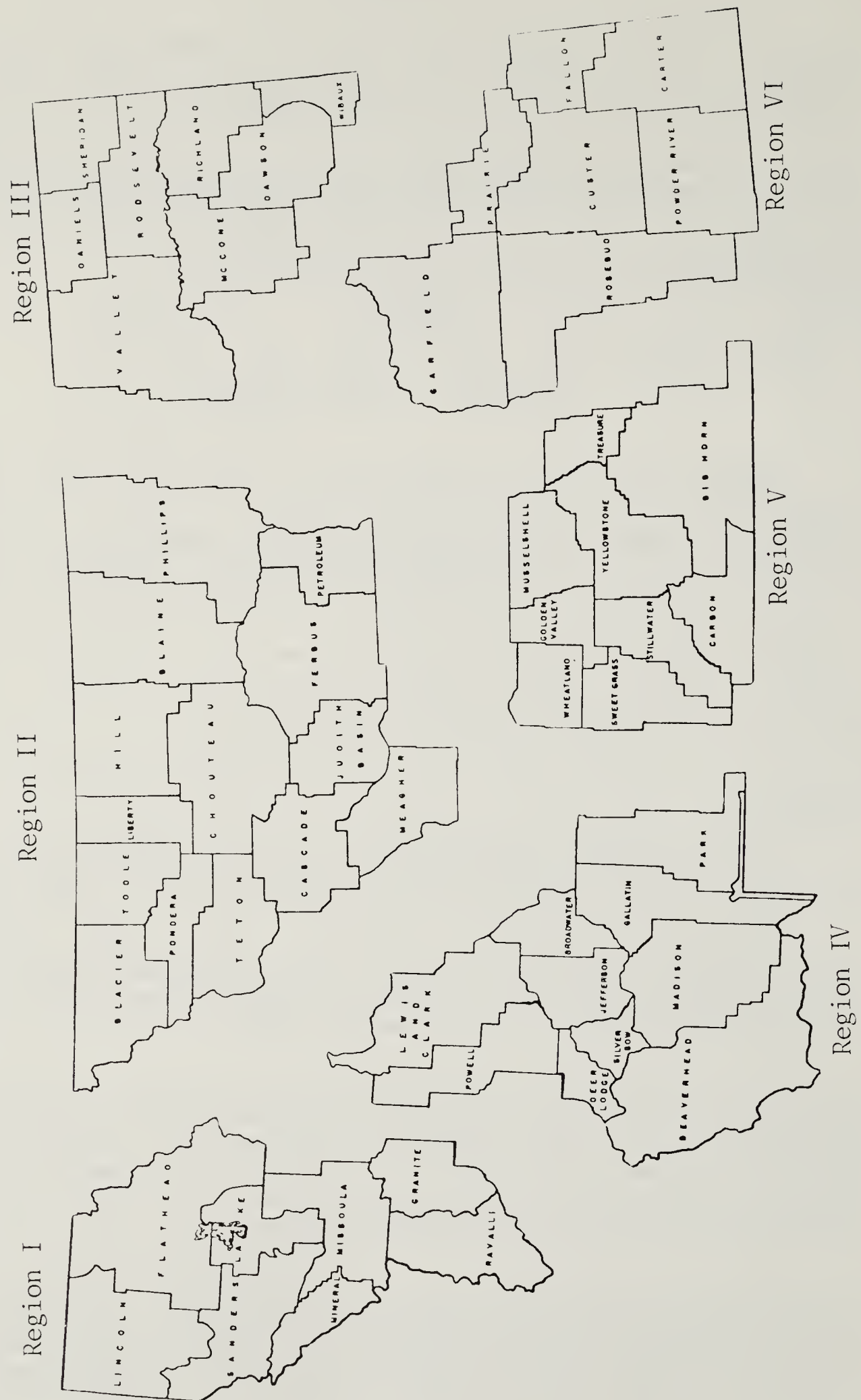
#### 1950-1968

Table 1.5 shows estimated population and employment for each region in 1950 and 1968, together with our projections for 1980. Between 1950 and 1968, both population and employment tended to increase most rapidly in regions that depended least heavily on agriculture. Region I, northwestern Montana, grew most rapidly; its population increased 33 percent, and employment 32 percent, over the 18-year period. Net migration between 1950 and 1968 was approximately zero.

All other regions experienced net out-migration. Nonetheless, in Region V (the south central portion of the state), the increases in both population and employment were substantial--21 percent and 26 percent, respectively. This reflected the rapid growth of the Billings-Laurel area (Yellowstone County); every other county in Region V except Big Horn experienced a decline in population.

Population in Region II, north central Montana, also grew substantially--by 19 percent between 1950 and 1968. The growth of civilian employment was a much smaller 10 percent. The large discrepancy between rates of growth in population and civilian employment reflects the fact that a substantial share of the population growth

FIGURE 1.6  
Montana Economic Regions



was caused by the increase in military personnel stationed in the region, especially at Malmstrom Air Force Base near Great Falls. These military personnel are not included in the civilian employment figures, but they and their families are covered by the population statistics.

Table 1.5

Population and Civilian Employment  
Montana Economic Regions, 1950, 1968, and Projected 1980

		Thousands of Persons or Workers			Percentage Change	
		1950	1968	Projected 1980	1950- 1968	1968- 1980
Region I	Population	114.5	152.0	171.1	+32.8	+12.6
	Employment	42.8	56.5	65.5	+32.0	+15.8
Region II	Population	141.8	168.4	167.7	+18.8	- 0.4
	Employment	55.5	61.2	63.0	+10.3	+ 2.9
Region III	Population	56.2	60.5	51.9	+ 7.7	-14.2
	Employment	20.7	20.3	18.7	- 1.9	- 8.0
Region IV	Population	149.3	163.0	174.7	+ 9.2	+ 7.2
	Employment	60.5	58.0	64.9	- 4.1	+11.9
Region V	Population	96.3	116.0	125.3	+20.5	+ 8.0
	Employment	36.6	46.2	53.2	+26.2	+15.0
Region VI	Population	32.9	33.1	34.4	+ 0.6	+ 3.9
	Employment	12.5	12.3	13.2	- 1.6	+ 7.7
State	Population	591.0	693.0	725.0	+17.3	+ 4.6
	Employment	228.5	254.4	278.4	+11.3	+ 9.4

Sources: U.S. Department of Commerce, Bureau of the Census; Montana Employment Security Commission; and Montana Economic Study.

Notes: State population figures are April 1 (census) estimates.

State employment figures are adjusted to eliminate the effects of a copper strike in 1967-1968.



Infusions of airmen and their families also accounted for a substantial increase in population of Region III, the northeastern portion of the state, during much of the period under review. But by July 1968, the date to which the Census Bureau's 1968 population estimates refer, most of the personnel stationed at Glasgow Air Force Base had departed. The drastic influence of the closing of the base makes the 1968 population estimate for Region III particularly uncertain.

Region IV, southwestern Montana, grew very slowly between 1950 and 1968, largely because of the decline in mining employment in and around Butte. In Region VI, the southeastern portion of the state, the increase of population was barely perceptible and employment fell 2 percent.

### Projections

As table 1.5 and figure 1.7 indicate, we expect Region I (northwest) to continue to grow more rapidly than any other between 1968 and 1980 (though not as fast as it did between 1950 and 1968). In terms of employment, but not population, we expect Region V (south central) to come in a very close second. We also project substantial growth (substantial, that is, for Montana) in Region IV, partly because we foresee a reversal of the downward trend in mining jobs. For Region VI (southeastern), we project a reversal of the slight decline in employment that occurred during 1950-1968. This is due partly to a projected increase of jobs in strip mining for coal.

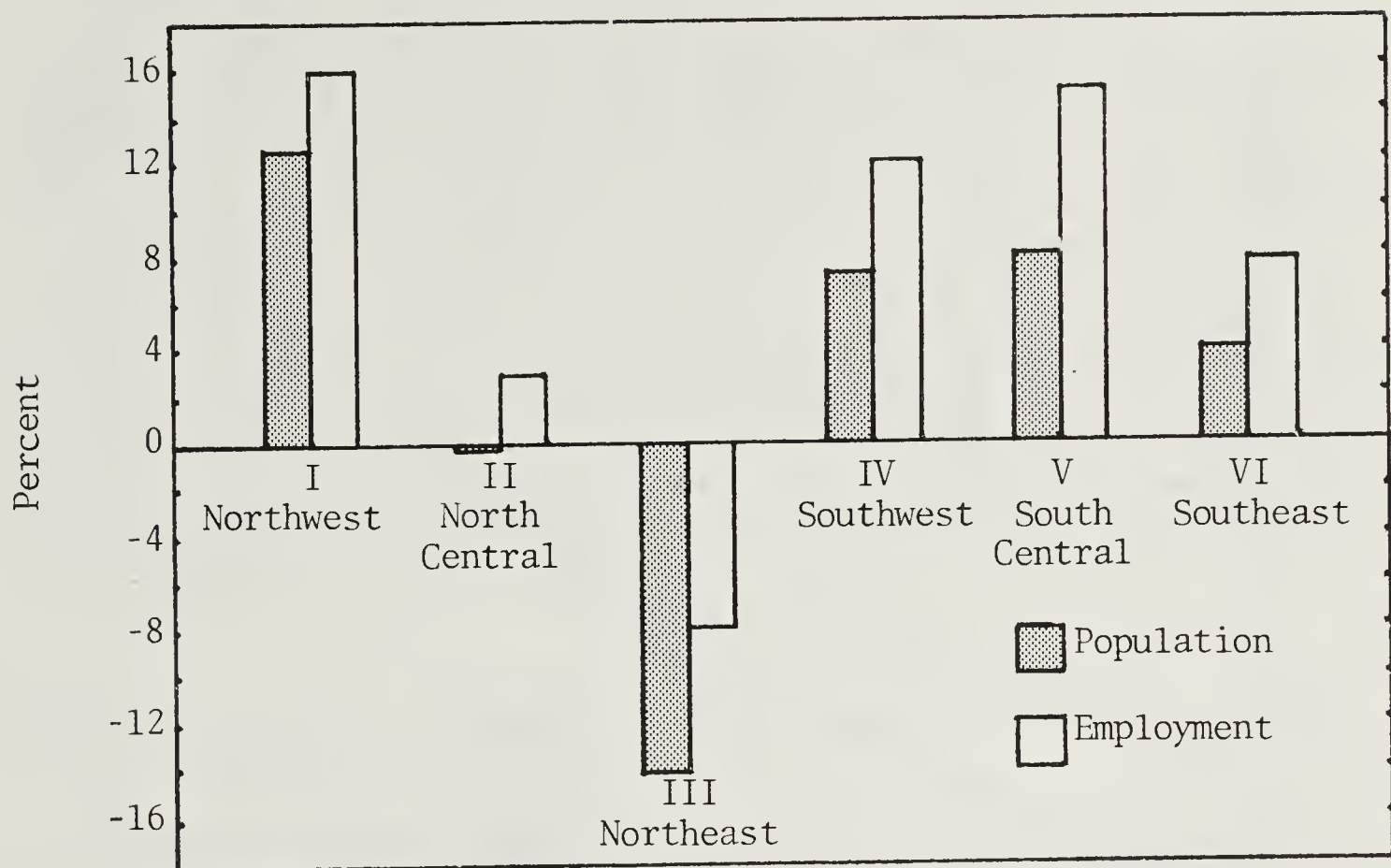
For two regions, we project population declines. In Region II (north central), where population rose nearly one-fifth between 1950 and 1968, the population for 1980 is projected to fall by a scant 0.4 percent from the 1968 level. The main reason for this decline is a projected increase in jobs of less than 3 percent--not quite enough to absorb the increase in the work force that could be expected to occur if total population in the region were to remain stable.

For Region III (Northeast), we project a substantial 14.2 percent decline in population, and an 8.0 percent decline in employment. In part, these projected declines are based on an assumption that the depressing effects of closing Glasgow Air Force Base were not fully registered in the 1968 statistics. It also obviously reflects our assumption that there will be no new source of employment sufficient to replace the stimulation provided by the Base.

Figure 1.8 shows per capita personal income in each of the six regions for 1950, 1966 (the last year for which regional estimates are available), and 1980 as we project it. All figures are in dollars

Figure 1.7

Percentage Change in Population and Civilian Employment  
Montana Economic Regions, Projected 1968-1980



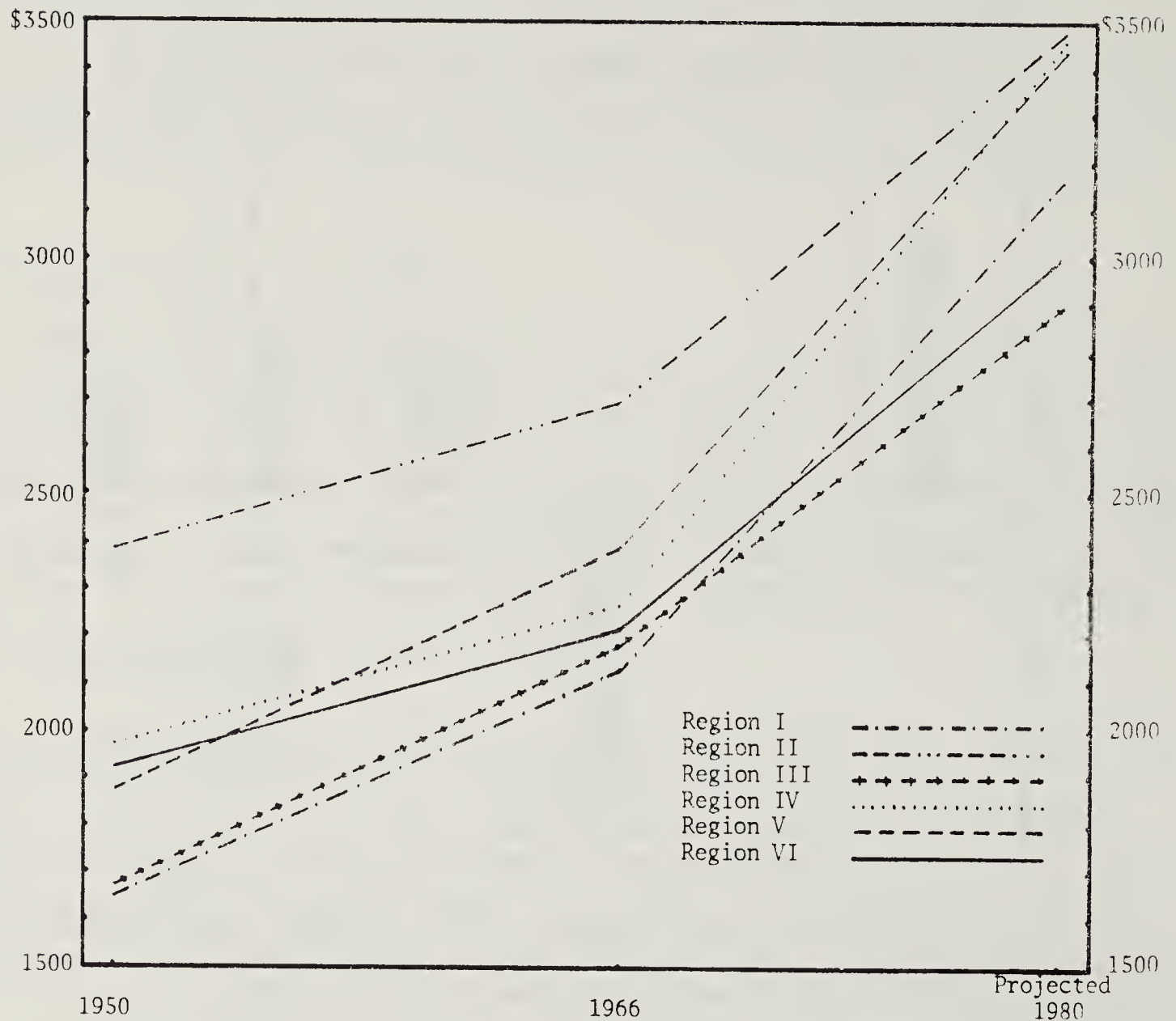
Sources: U.S. Department of Commerce, Office of Business Economics; Montana State Board of Health; Montana Employment Security Commission; and Montana Economic Study. Projections by Montana Economic Study.

of 1958 purchasing power. Per capita income in Region II (north central) was much higher than in any other region in both 1950 and 1966; we expect this region to continue to rank first in 1980, but its advantage, very large in both 1950 and 1966, is expected to narrow nearly to the vanishing point. Regions V (south central) and IV (southwest), which ranked second and third in 1966, are both expected to have per capita incomes nearly as large as that of Region II by 1980. The projected per capita income figure for Region II is \$3,481 (in 1958 dollars), compared with \$3,464 for Region IV and \$3,448 for Region V.



Figure 1.8

Per Capita Personal Income  
Montana Economic Regions, 1950, 1966, and Projected 1980  
(1958 Dollars)



Sources: U.S. Department of Commerce, Office of Business Economics; and Montana Economic Study.

The major reason for the narrowing of this gap is that Region II depends more heavily on agricultural income than do the other two areas. Although we expect north central Montana's large-scale farming units to continue to produce above-average incomes per farm worker, we project little increase in income per farm worker. In both Regions IV and V, the influence of projected rising incomes per worker in

nonagricultural pursuits will have a greater effect, because nonfarm industry is more important in these regions.

We project that in 1980, Region I (northwest) will have moved from last to fourth rank in terms of per capita personal income, passing Regions VI (southeast) and III (northeast) which are much more dependent on agriculture. Projected 1980 per capita personal income (in dollars of 1958 purchasing power) for Region I is \$3,164; for Region VI it is \$2,998; and for Region III it is \$2,898.

One final observation should be made. As the figure shows, for every region the increase in real per capita personal income is expected to be greater between 1966 and 1980 than it was during the preceding 16 years. It should be remembered, however, that the state's real per capita income hardly changed between 1950 and 1960; nearly all of the increase over the 18 years 1950-1968 came after 1960. We do not have data on personal income by counties for 1960; 1959 data are available, and may be found in Chapter 5. (Because 1959 was an unusually bad year for agriculture in most parts of the state, the figures for that year give a misleading impression of the trend of the 1950s and it seems better to leave them out of the summary chart used here.) For each of the regions, as for the state as a whole, we expect the years immediately ahead to be more like the 1960s than the 1950s as far as per capita income growth is concerned.

#### POVERTY AND UNEMPLOYMENT

Judging from the statistics on average income we have cited, Montanans may not be sitting on top of the world, economically, but neither does it appear that they are indigent. Averages conceal, however, about as much as they reveal. Many Montana families do in fact find themselves in what most persons would consider dire straits. Like the nation, Montana has not come anywhere near solving its poverty problem.

Unfortunately, the latest figures on the distribution of income among Montanas in which we are willing to place much faith are now more than a decade old. They come from the 1960 Census of Population, which quizzed a large sample--about 25 percent of the entire population--about their incomes for calendar year 1959. The 1970 Census gathered similar information about incomes in 1969, but the results are not yet available. Until they are, we are forced to draw our conclusions from the 1959 data.

What the 1960 Census revealed was depressing. As table 1.6 indicates, one-fifth of the Montana families sampled reported 1959 incomes under \$3,000. That figure, it will be recalled, is the original poverty line for families used by the federal government in connection with its anti-poverty programs.

Table 1.6

Percentage Distribution of Money Income of Families  
Montana and United States, 1959

	<u>Montana</u>	<u>United States</u>
Under \$3,000	20.2	21.4
\$ 3,000- 5,999	38.2	32.8
6,000- 9,999	30.1	30.8
10,000-14,999	8.3	10.5
15,000-24,999	2.4	3.3
25,000 and over	<u>0.8</u>	<u>1.3</u>
All Families	100.0	100.0

---

Source: U.S. Department of Commerce, Bureau of the Census.

Notes: A family consists of two or more persons living in the same household who are related to each other by blood, marriage, adoption; all persons living in one household who are related to one another are regarded as one family.

Details may not add to total because of rounding.

Some comfort can be gained, perhaps, by noting that the incidence of very low incomes was somewhat higher nationally than it was in Montana. Comparison of the two columns of figures in table 1.6 shows that even though average family income reported in the 1960 Census was lower in Montana than it was nationally, the proportion of Montana families that fell into the under \$3,000 class was less than the proportion for the nation as a whole. As is explained in Chapter 6, detailed examination of the income statistics leads to the conclusion that the main reason that poverty was, overall, slightly less serious in Montana than it was nationally is that the state had a lower non-white population. (Both in Montana and nationally very low incomes are much more prevalent among nonwhites than among whites.)



The census data reveal that very low incomes were least common among families in "urban" areas (places, incorporated or not, having populations of 2,500 or more), and most common among farm families (see table 1.7). Rural nonfarm families fell in between.

Table 1.7

Percentage Distribution of Money Income of Families  
and Median Family Income, Urban and Rural Areas  
Montana and United States, 1959

	Montana			United States		
	Urban	Rural Nonfarm	Rural Farm	Urban	Rural Nonfarm	Rural Farm
Under \$3,000	15.2	22.4	31.7	16.4	28.9	47.1
\$ 3,000- 5,999	36.0	41.9	38.1	31.7	36.8	31.3
6,000- 9,999	35.2	27.9	18.1	34.1	25.2	14.8
10,000-14,999	10.1	5.9	7.6	12.3	6.6	4.6
15,000-24,999	2.8	1.5	3.3	3.9	1.8	1.6
25,000 and over	0.8	0.5	1.2	1.5	0.7	0.6
All Families	100.0	100.0	100.0	100.0	100.0	100.0
Median Income	\$5918	\$5050	\$4289	\$6166	\$4750	\$3228

---

Source: U.S. Department of Commerce, Bureau of the Census.

Note: Details may not add to total because of rounding.

Nearly one-third of farm families reported incomes under \$3,000, compared with about one-fifth of rural nonfarm families, and less than one-sixth of urban families.

It should be kept in mind, of course, that living costs are generally higher in the cities, and that residents of rural areas, especially those who live on farms, enjoy some kinds of nonmonetary income (such as home-grown food) not available to most urban residents. The census data include only money income.

Still, the differences are sufficiently striking to establish the fact that Montana's poverty problem, at least in 1959, was more serious in rural than in urban areas.

Census figures on incomes according to the occupation of the head of the family reveal what one would expect--that the incidence of very low incomes was highest for families of unskilled workers. The problem was most severe for families headed by farm laborers, where 41 percent reported 1959 incomes under \$3,000, and for families headed by household workers, where the proportion reached an astounding 71 percent.

The census data confirm another commonsense expectation--that low incomes are associated with low educational attainment. Better education has many virtues, of course, and some of the most important ones are intangible. But an impressive array of evidence, including that from the census, supports the proposition that one of the most notable effects of increased years of schooling is that it enhances human productivity, and hence income. Traveling around the state, one gets an impression that this indisputable fact and its implications are better understood in the large cities of Montana than they are in many rural areas.

Within Montana, poverty is more common in the southeastern part of the state than in any other region. According to the census, 27 percent of all families in this area had incomes below \$3,000 in 1959. For Garfield County, the figure was 46 percent, higher than in any other county in the state.

Neighboring Region III (northeastern Montana) showed up little better. Twenty-six percent of its families reported incomes under \$3,000, and in Wibaux County, the figure was 44 percent.

In the other regions, very low incomes were considerably less common. In Region I, western Montana, slightly over one-fifth of all families had incomes under \$3,000 in 1959. In all of the other three regions, the proportion was slightly less than one-fifth. But even one-fifth represents a distressingly large number of families.

Perhaps most striking of all was finding that among Montana's only large minority group, Indians, one-half of all families reported incomes under \$3,000. This one fact is ample proof that most Indians seldom taste the fruits of the affluent society.

### Unemployment

Most of the time since World War II the American economy has operated at, or near, "full employment." Exactly what constitutes full employment is debatable, as politicians (as well as economists) have discovered. In general, what economists have in mind is a level that allows for joblessness due to normal frictions of the market.



Some people will always be out of work temporarily if there is to be any freedom to change jobs. Attempts to stimulate the economy so as to push unemployment any lower than this "normal" level--generally thought to be between 3.5 and 4.5 percent for the United States--can only lead to inflation. But higher rates of unemployment call for national policies to stimulate the economy.

The fact is, however, that the average rate of unemployment, like average income, can be a misleading figure. There are (and always have been, so far as we know) pockets of unemployment, just as there are pockets of poverty. Even when the economy is at what is called "full employment," some regions, and some classes of workers, are still afflicted by lack of available work.

Montana, in recent years, has had excessive unemployment. Data on people out of work are not very detailed, and were practically non-existent until the Employment Security Commission of Montana began publishing figures regularly in 1957. Chapter 6 sets forth detailed information about unemployment from the 1960 Census and Employment Security data.

The 1950 Census had revealed that Montana's unemployment rate was 5.1 percent in April 1950, the same as the national rate in that month. By the late 1950s, however, when the state data became available on a monthly basis, unemployment in Montana (after adjustment to eliminate the influence of seasonal factors) was hovering well above the national rate, which itself was excessive.

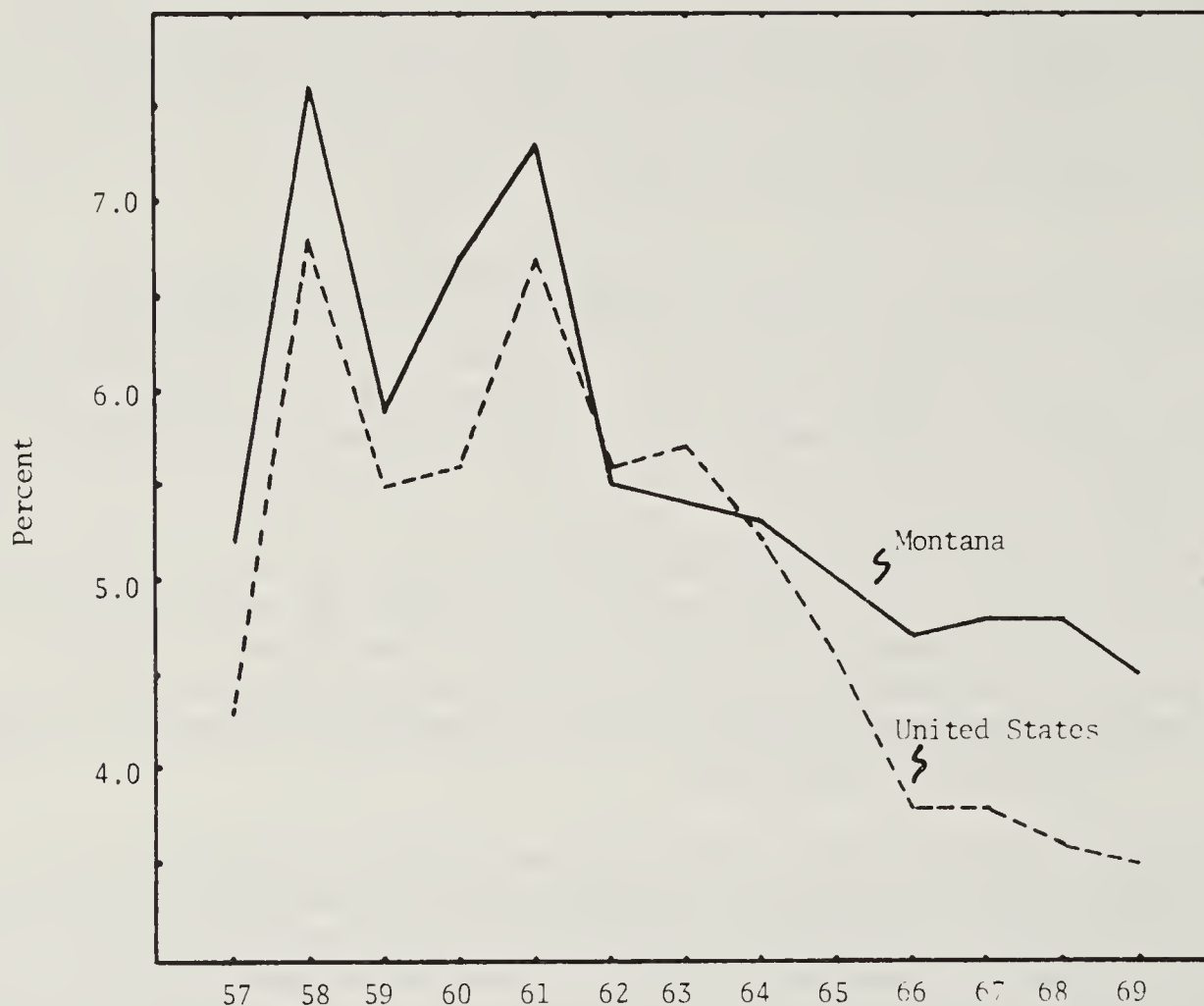
Figure 1.9 shows that during the early 1960s Montana's unemployment rate followed (and for a brief period, led) the national one down, as the effort to move the U.S. economy back toward full employment through stimulating fiscal and monetary policies began to take hold. But by the mid-60s Montana's unemployment rate stabilized, more or less, and during the past few years it has remained stubbornly above the national unemployment rate by an average of about one percentage point.

Seasonal swings in Montana's unemployment are substantial, as one would expect. In 1967, for example, unemployment reached a low of 3.3 percent of the labor force in October, and then rose to a high of 6.3 percent the following February. But the severity of seasonal unemployment is not nearly as great as it was a decade ago. In July 1959, for example, the unemployment rate was 3.0 percent. By February 1960, it had risen to 10.9 percent, far greater than the seasonal highs of recent years.

The 1960 Census data revealed that unemployment was more severe in April of that year for nonfarm rural workers than it was for urban workers, and that it was extremely low for farm residents. The latter

Figure 1.9

Unemployment as a Percentage of the Civilian Labor Force  
Montana and United States, 1957-1969



Source: Montana Employment Security Commission.

result is to be expected, since April is a busy month for farmers and ranchers, and since the definition of an unemployed person--one who is out of work and looking for a job--naturally excludes most farmers even if they are idle in the off-season.

People who are unemployed much of the time are likely to have low incomes, but the converse doesn't necessarily hold. The lowest unemployment rate in April 1969 was in Wibaux County, which, as we have pointed out, also had the second highest proportion of families with incomes under \$3,000 in 1959.

The 1960 Census found that unemployment was most serious in Region I (northwestern Montana) and least common in Region VI (southeastern Montana). However, since the figures were only for one month, they may have reflected seasonal peculiarities more than fundamental differences.

One very important inference drawn in Chapter 6 is that the seasonality of employment in Montana may go a long way toward explaining two seemingly conflicting facts. Available data on wages in manufacturing indicate that wage rates are higher in Montana than they are nationally. So are the weekly earnings of manufacturing workers. But annual incomes of these same workers are below the national average. The apparent discrepancy probably reflects the more seasonal nature of Montana jobs, particularly in the forest products industry.

## POLLUTION AND ENVIRONMENTAL QUALITY

Montana, along with the rest of the nation, and the world for that matter, faces serious threats to the quality of its environment. This is nothing new, but today's widespread public concern with environmental problems is part of a national awakening that is a no flash-in-the-pan. Man's ability to upset the balance of nature has increased enormously in recent years, thanks to the same staggering technological advances that have increased measured income so much. The current level of affluence has not only entailed new threats to the environment; it has also furnished the economic security that permits the middle classes the "luxury" of worrying about the impact of their way of life on the world in which they live. Once the middle classes become deeply concerned about a problem, action is likely to follow, and we see no reason to suppose that concern about the environment will wither.

The major concern at present is with pollution, although other aspects of environmental quality (such as timber-cutting practices and the preservation of wilderness) also command attention.

There are solid reasons to be concerned about pollution in Montana. Chapter 7 surveys the problems in some detail.

Frequent temperature inversions turn much of the western part of the state into what is classified as a "frequent smog zone." In and around Missoula, industrial wastes--especially from lumber, wood products, and paper products--together with nonindustrial sources of particulate matter (including dust from city streets) have created a serious problem. Suspended particulate in the air exceeds the standard set by the State Board of Health much of the time.



Missoula, so far as we know, is the only place in the state whose pollution problem has repeatedly received major national publicity. But it is not, as Montanans know, the only place with air pollution problems. Butte and Anaconda, Columbia Falls, Garrison, and East Helena all face serious pollution of one kind or another. Nor do the major cities of the plains, Great Falls and Billings, escape the problem.

The state's Air Pollution Control Law, passed in 1966, empowers the State Board of Health to set minimum ambient air quality standards and emission control standards, and to require licenses for potentially damaging new industrial installations. It also provides for the establishment of local pollution control programs. (So far, Missoula, Great Falls, and Billings have established them.) The Board of Health has already set ambient air standards for airborne particulate, various sulfur compounds, fluoride, lead, and beryllium. Standards for other pollutants may be set in the future. These standards are not always met, of course; but when they are exceeded the situation is deemed to be serious. The Health Department has also set emission standards for various business activities and processes that pose pollution threats, and substantial progress has been made in bringing about compliance with these standards.

What effect the air pollution control program will have in the long run is uncertain. Like any other kind of governmental regulation, pollution control is difficult business. The main dangers are that it will be ineffective, on the one hand, or will force needless inefficiencies on the other.

The state also has water pollution problems. In recent years there has been less public attention given to water quality than to air quality. It is to be expected that water pollution problems will receive more notice in the future as the air pollution problem is brought better under control.

The state's water pollution control law was passed in 1955. One notable achievement has been a marked improvement in the Yellowstone River, where pollution control efforts have been under way since the 1950s. Industrial pollution of the Clark Fork near Butte and Anaconda has also been brought largely under control. But there do remain problems of spillover from settling ponds during windstorms, and of keeping pollution control equipment operating during copper industry strikes. Wastes from wood and paper plants near Missoula also cause some water pollution problems. In addition, the spotlight has recently been turned on agricultural sources of pollution, particularly in connection with feedlots and fertilizers and on contamination from various chemical sprays. Municipal sewage also causes problems in some areas.



One of the most important tasks faced by those who are attempting to guide Montana's economic development is to take into account the "diseconomies" of pollution. Chapter 7 includes an extensive discussion of the economics of protecting the environment.

## CLIMATE, RECREATION, AND THE EFFECTS OF SCATTERED POPULATION

Montana's natural setting has shaped its economic and cultural development profoundly. The influences of geography on the way of life in the state should not be ignored in an economic study, even though many of them cannot be measured by the usual economic yardsticks.

Chapter 8 takes a look at Montana's climate and its abundant recreation opportunities, and considers some of the problems posed by the state's low population density. Here we shall only touch on the findings reported there.

### Climate

To watch television, one would think that Montanans suffer enormously during winter. West Yellowstone and, to a lesser extent, some communities along the High Line, receive a lot of publicity on weather reports all over the country. Even many Montanans are convinced that they inhabit the nation's deep freeze.

To be sure, winter temperatures do reach spectacular lows in some areas. But statistics indicate that much of Montana is little if any more uncomfortable during the winter than most of the heavily populated northeastern part of the country. The very aridity that holds down agricultural production makes both summer heat and winter cold more bearable.

In terms of official statistics, Montana's January "wind chill"--a measure that takes into account both wind and temperature, is roughly the same as it is in Boston, Chicago, Minneapolis, Detroit, and New York City, even though Montana's mean temperature in that month is somewhat lower. In summer, the "discomfort index," which takes into account both temperature and humidity, is considerably lower in Montana than it is in most areas except the west coast, because the air is so dry.

Montana receives more than its share of summer sunshine, particularly in comparison with the eastern portion of the country. In winter, the

eastern part of the state also receives abundant sunshine; the more mountainous areas, on the other hand, are cloudy more than half the time.

All in all, in most parts of the state the summer weather is more pleasant than it is in most of the rest of the country. And the notion that many Montanans endure great hardships during winter is simply wrong.

### Recreation

Hunting, fishing, boating, horseback riding, camping, skiing, hiking, mountain climbing--all these are uncommonly accessible in Montana. The outdoor life is surely one of Montana's most potent attractions.

Chapter 8, and the staff study underlying it, cite large amounts of data in support of this rather obvious point. For example, 158,000 resident, and 7,000 nonresident big game licenses were sold in 1968. In 1967, it is estimated, 21 percent of elk hunters, and 77 percent of deer hunters got their animals. In 1968, 187,000 fishing licenses were sold. There are 26 ski areas in the state, and the snowmobiling is excellent.

National forests, wilderness areas, and other scenic and recreation sites offer abundant opportunities for campers and hikers. Water recreation areas abound.

At least outside the national parks, recreation facilities are generally uncrowded. Outdoor congestion--long lift lines at ski runs, "campground closed" signs, barbecue-pit smog zones, and congested highways--are less common in Montana than they are in many other areas.

It should be recognized, however, that recreation opportunities are not equally distributed throughout the state. The mountainous, lake-dotted northwestern portion, in particular, is blessed with an abundance of almost every type.

### A Note on Tourism

Many Montanans seem to feel that tourism offers the state's greatest hope for economic growth. Tourism represents an export business based on Montana's attractiveness as a vacation spot. As we define it in Chapter 5 of Part 2 of our Report, the tourist industry embraces any retail trade or service establishment that caters to out-of-state visitors who are not here on business.

On the basis of a study conducted in 1963-64, it appears that out-of-state tourists spent between \$62 and \$70 million in Montana during the 12-months ending July 31, 1964. (Not all of this money ended up in the pockets of Montanans, of course, since some of the sales to tourists consisted of goods produced outside the state.)

According to the travel study, 84 percent, or \$50-\$60 million of tourist expenditures, went for food and lodging and automobile operation. Sales of firms that meet these needs--hotels and motels, eating and drinking places, service stations, and auto repair and rental shops and garages--amounted to \$218 million in 1963. Clearly, the tourist trade is very important to these businesses.

There are few clues as to how rapidly tourist spending is increasing, but available statistics do not indicate that it is rising appreciably more rapidly than other activities which affect the trade and service industries.

Forecasts of the extent of the tourist business often seem unrealistic. In the foreseeable future, most Americans will continue to work five days a week and most annual vacations will last only two or three weeks. Moreover, Montana faces a lot of competition; hopeful dialogue about the rich possibilities of tourist travel can be heard in all of the western states. Our projections of trade and service employment allow for a continued growth in jobs generated by tourism, but the growth we project is more gradual than at least some Montanans expect.

#### The Social Cost of Space

The social disadvantages of population congestion receive lavish attention as life in the nation's large cities deteriorates. Crime, transportation tie-ups, and the alienation of the poor all detract mightily from the quality of city living. But sparsity of population also raises serious problems. The term "the social cost of space" was coined to characterize one of the important socio-economic features of the Great Plains. Montana faces its share of these costs.

Low population density makes the provision of adequate services very expensive. As a result, many areas suffer from inferior levels of these services. Some school districts fail to provide a quality of education comparable to that obtainable in more heavily settled areas. The problems of providing adequate specialized instruction are formidable, since specialists can be used economically only if they serve large numbers of students. Similarly, specialized equipment is often too costly to be made available to just a few students.



Distance and low population density also make adequate provision of statewide services, perhaps most notably those of state hospitals, difficult. This problem is discussed in Chapter 7 of "The Industries of Montana" (Part 2 of the Research Report of the Montana Economic Study).

Medical and dental facilities and personnel are in short supply in many of the less-populated regions. Often people must travel inordinate distances to reach them.

Community social life, too, is different in these areas, and it is often hard to get together enough people to build effective social organizations. Continued out-migration from many of the state's smaller agricultural counties may be expected to make matters worse, not better, in the future.

### Fine Arts

The fine arts merit special emphasis. They are, of course, an important part of any advanced society. In connection with industrial growth, it is widely hoped that Montana will, at least eventually, prove to be an attractive place for high-paying, clean, light industry, and it is often contended that such firms consider cultural facilities to be an important consideration in the selection of plant sites. The evidence on this proposition is rather unsubstantial, and our report does not suggest that the state suddenly turn to massive subsidization of the fine arts on the theory that the investment will pay off in, say, increased taxes on business firms which would immediately move here. But it does seem likely that Montana's attractiveness to "desirable" enterprises will be at least moderately influenced by the degree to which the state can provide a cultural climate to match its recreational attractions. The highly-educated people who work for "desirable" industries want these amenities for themselves and, more importantly, for their families. Their employers are sensitive to this desire.

Montanans themselves have the same needs. A gallant struggle goes on to meet them, and it is more successful than might reasonably be expected. The state has more symphony orchestras per 100,000 population than does New York City. Although these groups may not match the Philharmonic for quality, their ability to thrive testifies to their importance and their competence.

Billings and Great Falls boast outstanding art galleries, and the museum of the Montana Historical Society in Helena is a major attraction, both for residents of the state and tourists.



The Archie Bray Foundation in Helena ranks with the very best ceramics schools in the nation. The School of Fine Arts at the University of Montana numbers many distinguished artists on its faculty. Touring music and theater groups, mostly affiliated with the university system, bring cultural attractions to numerous cities and towns. The larger cities in many cases have local arts councils, and the Montana Arts Council works tirelessly at enriching the lives of the residents of smaller cities and towns.

Despite such considerable efforts and successes, cultural opportunities in the smaller communities are severely limited; and the fine arts lack adequate funding in Montana. In many states, opportunities for resident artists and companies are enhanced by substantial financial support, both from individuals and corporations. There is need for more support in this state.

. . . . .

This completes our summary of the findings that are set forth in detail in Chapters 2 through 8 of Part 1 of the Research Report of the Montana Economic Study. The remainder of this chapter considers some of the implications of our findings for state policies aimed at influencing economic development. We begin by considering the advantages and disadvantages of promoting a faster rate of economic growth.

#### PROS AND CONS OF FASTER GROWTH

There can be no doubt that, judged by standard measures of growth, Montana's economy performed poorly during the 1950s and 1960s. Our projections imply that the economic decline of the state relative to the nation is not about to be reversed. Rather, they indicate that the "job gap" will grow, net out-migration will intensify, and per capita personal income will continue to slip relative to the national average in the decade ahead.

It is conventional to regard slow growth of population, employment, and income as signs of trouble in a region, and to infer that policies should be invoked to arrest or reverse such trends. In recent years, however, there has been increasing dissatisfaction with this conventional wisdom, and it has become common to point up some of the undesirable results of regional growth.

It seems useful to try to present a dispassionate review of the major arguments involved in weighing the desirability of state efforts aimed at promoting economic expansion. (A later section points up the limited scope for such efforts.) We begin by listing some of the more easily identified pros and cons, and then consider more subtle ones. Our discussion is not intended to be definitive. Indeed, definitive prescriptions for human well-being do not lie within the capability of economic analysis. Nonetheless, an economic approach can do much to clarify the sort of questions that need to be considered if rational decisions are to be made.

### Benefits of Faster Growth

Suppose the state policies are, in fact, capable of moderating or reversing the relative decline of Montana's economy. What would be the benefits, and who would reap them?

Improved Job Market. Most obvious, perhaps, are the benefits to workers of a more dynamic job market. Nearly 60 percent of Montana's total personal income is accounted for by wages and salaries of hired workers.

According to our projections, the demand for labor in Montana will continue to grow much less rapidly than the "natural" increase in the work force in the decade ahead. This slow growth of job opportunities can be expected to produce a continuation of the recent weakness in the job market.

A slack labor market exacts its toll in three ways: (1) persons who would otherwise prefer to live in the state may leave because they cannot find satisfactory jobs, (2) they may work in the state even though they could find higher wages and better jobs in an area where labor is in short supply, or (3) they may remain in the state and become unemployed.

The precise distribution of these effects depends on the characteristics of the labor market and of its participants. In general, the more mobile is labor--that is, the more willing and able are workers to move--the greater is the extent to which slow growth in the demand for labor will show up in net out-migration, and the less it will show up in either depressed wages or unemployment. Conversely, the more reluctant or unable are workers to leave, the more severe is the glutting of local labor markets, and hence the greater are downward pressures on wages and increases in unemployment.

Government policies can provide relief by either (a) making workers more mobile or (b) inducing a greater demand for labor. The latter result, of course, is one of the goals of industrial promotion activities.



Economists often argue that attempts by government to interfere with the location decisions of industry are ill-advised, because they entail "distortions" of market forces--distortions that lead to inefficient location decisions. It is better, they argue, for people to follow jobs. They therefore generally tend to view with favor programs that are aimed at increasing the mobility of workers, and to frown on programs that aim to "distort" industrial location decisions.

But to the extent that moving is costly--both in terms of the physical costs of moving oneself, one's family, and one's possessions, and in terms of the emotional costs of being uprooted and having to change one's life style--there may be benefits from policies that succeed in moving jobs to people by attracting new industry.

In a free market economy jobs will, in fact, tend to move to labor surplus areas naturally. The reason is that in a free labor market wage rates tend to fall in areas with surplus labor, and to rise in areas of labor shortages, encouraging firms to move to the surplus areas in order to save on their wage bills.

There are, however, numerous impediments to this process. Minimum wage laws, the methods by which wages are set in unionized industries, and desires by employers to offer "fair" wages and to avoid meting out demoralizing wage reductions, all make wage rates imperfect as a device for ironing out imbalances in labor markets. Even though a strong theoretical case can be made for promoting greater flexibility of wages as a means of dealing with such imbalances, it seems doubtful that this method could be pursued as an aim of government policy in Montana. Nonetheless, because of the slow increase in demand for workers, market forces do work to some extent to hold wages and salaries down here, relative to the country at large.

Assuming that state policy is not to be used to promote lower wages, there are two remaining avenues for dealing with the "job gap." The first is to facilitate out-migration, so as to reduce the redundant supply of labor. The second is to promote new jobs by working to attract new industry without resorting to policies that depress wages.

The benefits of faster growth in the demand for labor are not equally distributed among all members of the labor force. They are generally greatest for workers in the geographic area in which the new jobs open up, and for those whose skills are best suited to meeting the new demands. Moreover, some types of workers are more mobile than others. It is the least mobile workers who are most vulnerable to a weak job market.

Everyone knows that factors other than conditions in the job market enter into peoples' decisions about where to live. Nonetheless, among

persons in the labor force, moving appears to be triggered mainly by economic forces. For example, The Geographic Mobility of Labor, a study published in 1964 by the Area Redevelopment Administration of the U.S. Department of Commerce based on a nationwide sample of about 3,000 workers, indicated that among those interviewees who had moved once or more in the past 5 years, 73 percent mentioned "economic and occupational" reasons for moving. Only 20 percent mentioned "community reasons" (a personal liking for the area to which they moved or a dislike of the area they left). And only 22 percent mentioned "family reasons" (a desire to be near relatives).

Willingness and ability to move in search of better employment opportunities differs widely among various groups of workers within a given area. Studies of labor mobility indicate that young people are more mobile (that is, willing and able to move) than are older people; that mobility is considerably greater for highly-educated workers than it is for those with poor education; and that professional, technical, and managerial workers are considerably more mobile than blue-collar workers, farmers, or the self-employed. It should be recalled that the rate of net out-migration from Montana between 1950 and 1960 was found to be far higher for college-educated males than it was for the rest of the population.

Logic suggests that among a given group of workers whose opportunities are limited or deteriorating, those who do move are harmed less than those who do not. If the movers succeed in getting into a better job market, they have, at some cost (the cost of moving--including not only the financial sacrifice, but the emotional sacrifice to them and to friends and relatives they leave behind as well) been able to escape at least partially the consequences of the poor job market. But among those who remain are many who stay because they are ignorant of opportunities elsewhere or fearful of the uncertainties involved in making a break, and others who have their own strong reasons to resist moving, even if they end up unemployed or making less money than they could elsewhere. Thus the benefits of a more rapid growth of local job opportunities would accrue mainly to persons whose mobility is most limited, rather than to those who would otherwise move.

Increased Local Business Profits. Every sizable community has its economic boosters--people who work actively and tirelessly to attract new industry. There are many motives for such endeavors, but it is not surprising that promotional groups are heavily laden with local entrepreneurs whose businesses cater to local markets. Aside from whatever other gains these individuals may experience from more rapid growth, an increase in their own businesses is an important one.

Since a new export-oriented industry may provide as many as nine new residents for every job it brings, attracting primary industry is



a matter of acute interest to local businesses. Conversely, the departure of a major primary employer is a cruel blow to these firms.

According to the 1960 Census, there were nearly 10,000 self-employed "managers, officials and proprietors" outside agriculture in Montana. Nearly half were owners of retail firms, and most of the others probably engaged in activities designed to serve local markets.

Some types of businesses, of course, are more affected by growth than others. In a community with one television station, population growth may be expected to exert a roughly proportionate increase in the value of advertising time on that channel. For a drugstore, on the other hand, the increase in business would probably be much less than proportional to the increase in population, since new drugstores would open up as the town grew. The same can be said for most retail trade firms, and for other derivative businesses, including construction, insurance agencies, accounting firms, laundries, plumbers, and a host of other local establishments. But as a general matter, nearly all owners of businesses that depend on local markets have something to gain from growth.

Increased Site Values. A closely related benefit accrues to owners of land. Site values can be expected to rise as an area's employment and population grow. Fortunes have been made turning former farmland into housing developments, shopping centers, and industrial parks. In fact, much if not most of the income earned by persons in the development business comes from increased site values, and economic growth is a major source of such increases.

Individual homeowners as well share in the gains from increasing land values although, since their gains are not realized until the property is sold, it may turn out that the principal beneficiaries are their heirs. (And if rising land values result in higher property taxes, the homeowner who does not contemplate selling may actually resent the increase in his net worth.)

### Costs of Faster Growth

It seems abundantly clear that faster economic development would result in substantial economic benefits to certain groups. But it is also clear that growth entails costs. We turn now to a consideration of two obvious ones.

Pollution and Environment. As we have already pointed out, pollution has been a problem in Montana at least since the early copper mining days. But concern with pollution and environmental deterioration

generally has become particularly widespread in recent years. One reason is that the enormous technological changes since World War II, together with rapid population growth, have led to vast increases in the amount of pollution generated. Another is that as peoples' real incomes have risen, they have been able to afford the "luxury" of worrying about their environment, and have gained more leisure time to enjoy it.

Accelerated economic development brings with it a threat of accelerated environmental deterioration. It is sometimes argued that pollution is not an economic problem. This is not so. Rather, pollution is not a problem that the U.S. economic system, in its present state, is up to handling efficiently.

Pollution reduces the quality of life (or the standard of living, correctly defined). Most people would be willing to give up something of value--such as part of their income--in return for less pollution. In fact, recent studies of the relation between pollution and residential property values indicate that the amounts people are willing to pay to avoid pollution are substantial.

But in the absence of controls, the industrial polluter does not have to reckon with the costs of his emissions in the way that he must reckon with the costs of raw materials, capital, and labor that he uses in production. Nor do individual consumers have to bear all of the costs of their polluting activities, which include littering the roadsides with empty beverage containers, polluting the air with automobile exhaust, burning logs in fireplaces, and even filling the air with smoke from campfires and barbecues.

The result is that industry and consumers pollute too much. The market economy is not up to dealing with pollution problems because it does not create sufficient incentives not to pollute. Rational programs of public intervention are needed, and if industrial growth increases pollution, it inflicts costs that must be weighed, somehow, against whatever benefits it might confer.

Just as benefits from economic expansion are not evenly distributed, so the costs of any added pollution it might bring are not borne evenly. Those nearest a polluting facility are usually hurt most. The intensity of an area's air pollution problem depends, among other things, on climatic factors. In Western Montana, for example, temperature inversions that trap airborne wastes compound the pollution problem enormously. And some persons are more susceptible to the undesirable effects of environmental degradation than are others, whether because of specific allergies or because their state of mind is more dependent upon physical surroundings.



These burdens are extremely hard to measure. Most studies of the damage inflicted by pollution have tended to concentrate on its more tangible, physical, and easily measurable effects, and thus to seize upon over-simplified notions of costs. For example, attempts have been made to measure costs by adding up wages lost, medical bills, and funeral expenses that result from higher incidence of diseases attributable to pollution. The results are often silly. Impairment of human well-being is not accurately measured by laundry lists of such expenses. More recent studies provide sounder bases for measuring costs of pollution, but application of the new approaches is still in its infancy.

Congestion. A closely related cost of economic expansion arises from the congestion that results as more and more people are crowded into a limited space. On average, of course, Montana could hardly be called congested. But in some Montana cities there is noticeable crowding, and the rural valleys in the western part of the state have attracted large numbers of people who are willing to go to substantial lengths to avoid crowded conditions. Moreover, congestion tends to exacerbate the problems of pollution as more and more waste is discharged in a limited area.

Industrial expansion that brings more people into the state may pose the threat of added congestion. A lot of Montanans are particularly sensitive about this problem. For one thing, many residents consider Montana's outdoor life the chief reason for living here. Fishermen, hunters, hikers, campers, horseback riders, snowmobilers, yachtsmen, and skiers all have reason to be uneasy about the effects of population growth. By their words and actions, many of them have made it clear that they are willing to give up some of the benefits of growth in return for the amenities of an uncongested environment.

#### Other Effects of Accelerated Growth

In addition to the rather easily specified benefits and costs just discussed, an increase in the rate of economic growth might be expected to have other important effects which cannot be labeled "good" or "bad" a priori.

Levels of Taxation. It is sometimes argued that faster growth will ease tax burdens in the state. As far as we know, this hypothesis has not been subjected to rigorous testing. The fiscal influence of economic growth cannot be determined a priori, since it adds not only to the tax base but to the required level of government services as well. The question has not received much systematic study, but it is clear, both on logical grounds and on the basis of case studies, that the fiscal impact of economic growth differs from case to case,

depending upon the kind of activity involved, the extent to which it results in increasing the population (as opposed to absorbing resident, unemployed workers), and numerous other detailed considerations.

We have tried to find out if data on 1967-68 per capita taxes by state shed any light on this question. Numerous studies have shown that the two factors that influence spending by state and local governments most heavily are population and income. Since most government services must be expanded more or less proportionately with population, it is to be expected that increased total expenditure and taxes will accompany population growth. And since expenditure per capita tends to be closely tied to per capita income, any policy that raises per capita income is likely to raise, not lower, per capita taxes, by some fraction of the increase in per capita income. This does not mean that taxpayers are made worse off, since the added expenditures result at least partly from the higher level of services that people demand, and are willing to pay for, as their incomes rise.

We find that data on per capita tax levels in the 48 conterminous states in 1967-68 do not support to the notion that growth per se brings lower taxes. They do, however, reveal a loose (and inconclusive) association between per capita tax levels and population density for the least densely populated states. Nevada and Wyoming, the two states that have lower population densities than Montana, had higher per capita state and local taxes. Among the more heavily-settled states, there appears to be no systematic relationship between per capita taxes and population density.

Slightly stronger evidence comes from an examination of the relationship between per capita taxes and total population. In 1967-68, the states with the smallest populations (not necessarily those with the lowest population densities) had, on average, higher per capita taxes than all but the very largest states. In 1967-68, Montana's per capita state and local taxes were \$340. The 8 states in Montana's size group (500 thousand to 1 million inhabitants) had average per capita taxes of \$315, about 20 percent lower than the average for the 3 states with populations under 500,000, but about 10 percent higher than the average for the 7 states with populations between 1 million and 2 million. (Average taxes began to rise again as population increased beyond 2 million.)

This evidence is consistent with the oft-heard statement that Montana's population is too small to permit certain government programs to be carried out on a scale that permits maximum efficiency. If this is so, growth would make possible realization of some "scale economies" that are not now available.



It should be stressed that numerous other factors are involved in determining tax levels, so that per capita taxes vary widely even among states with roughly equal populations. For example, among the 8 states with populations between 500 thousand and 1 million, one--New Hampshire--had per capita taxes of about \$270 in 1967-68, while both Delaware and Montana had per capita taxes in excess of \$340. With many factors at work, it is difficult to pinpoint the influence of a single one. Using more sophisticated statistical procedures that permit more than one factor influencing per capita taxes to be taken into account, we are unable to detect any significant relationship between the level of population and per capita taxes. More research might dispel the uncertainty that surrounds this question, but our own work leads us to be skeptical about the proposition.

The Way of Life. Economic growth or decline can change the character of an area drastically. Opinions differ widely as to whether the effects are good or bad, and we cannot settle that question. There are, however, notable problems associated with both large and small size. One is the congestion that goes with a large population, already discussed. Another is the "social cost of space," treated in Chapter 8 and touched on briefly earlier in this chapter.

Even though some of the larger cities of Montana are able to offer a modicum of cultural attractions, and the larger school districts can provide well-rounded programs, specialized staffs, and attention to the needs of particular small groups of students, for many smaller communities such amenities are rare or absent entirely. Many of the communities do not offer a reasonably full range of services and shopping facilities to the local population. Inadequate medical service poses a particularly difficult problem in some of the least settled areas.

On the other hand, the problems of big cities across the nation are multiplying rapidly, and it seems doubtful that many Montanans are very interested in metropolitan life. And even on a small scale, expansion can produce substantial problems, as a consideration of some of the growing pains of Missoula and its surrounding area (the state's fastest growing urban area) will testify.

The changes that might be expected to accompany accelerated development depend partly, of course, on whether the growth is anticipated and planned for. But in the final analysis, even with ideal planning, growth would mean different things to different people.

It seems unlikely that the state will develop any major metropolitan areas in the near future. But even now, Montana's larger cities are experiencing, in small doses, some of the problems that have reached critical proportions in the nation's major urban centers.

### Where We Come Out

Clearly we can offer no "scientific" final answer to the question whether Montana should pursue faster growth, and if so how, and to what degree. The issue is a live one, involving numerous conflicting interests, and ultimately it has to be worked out in the political arena.

Attitudes toward industrial promotion differ widely among, as well as within, states. Compare, for example, the intensive campaigns of the large industrial states of the northeast to attract still more industry with a recent account by Editorial Research Reports of the "anti-growth, anti-tourism posture" in Oregon, which "stems from concern about the effects of over-population on the state's scenic and recreational resources."

As we see it, Montana is very different from Oregon. According to preliminary census data, Oregon's population increased by 287 thousand persons, or 16 percent, between 1960 and 1970, reflecting substantial net in-migration. In Montana, the final census tabulations show that population increased only about 20 thousand, or roughly 3 percent over the entire decade. Moreover, Oregon's population density is presently more than four times Montana's.

More rapid growth, as we have stressed, means different things to different people. But its benefits are likely to be much greater in a state that is growing slowly than in one that is already growing rapidly. Similarly, the costs of still faster growth are likely to be greater in a state that is already growing rapidly than in one that is growing slowly. There is no rate that is just right for everybody, and there is surely some rate of growth that would be too fast for most Montanans. Our own opinion is that this rate is not likely to be reached in the near future. There is, we think, solid reason for the state to endeavor to moderate the downward trend of its economy relative to the nation as a whole. (We doubt very much that the state could actually reverse the decline in the years immediately ahead.)

This is not to say that increased growth is worth any price, or that a policy is necessarily good if it promotes growth. Some such policies could entail substantial costs in terms of other goals. Suppose, to take an extreme example, that as other states tightened up on pollution standards, Montana were to enact a constitutional amendment stating that neither the state nor any of its subdivisions could interfere with the "rights" of any person or business to dump waste on the ground, or into the streams, or into the atmosphere. The state might then attract new firms that found compliance with anti-pollution laws elsewhere costly. These firms would provide new primary jobs, and total employment would rise. So might per capita personal income. Nonetheless, people who had to live with the resulting pollution might well be made worse off. The moral is obvious. The success of economic



development policy cannot be measured simply by determining whether it increases employment and income. All of its ramifications count, and the various interests at stake may conflict with one another.

## STATE DEVELOPMENT POLICIES

The power of the state to influence the rate at which it grows without resorting to actions clearly deleterious to the general welfare is severely limited. The realities of economic development often get lost in the rhetoric of public debate. For example, one might think from public discussion of the subject that the failure of Montana's per capita income to grow as fast as the national average is primarily the fault of the incumbent in the statehouse, whoever that might be at the time. The fact is that the state has relatively little power to affect this figure.

In the past, short-term fluctuations in Montana's per capita income have been due primarily to changes in agricultural markets. Even though income from agriculture accounts for only about 10 percent of Montana's total personal income, it is by far the most volatile component.

Over the longer term, the growth of per capita income is heavily influenced not only by the fortunes of agriculture, but also by the trend of income per worker in nonagricultural pursuits, by the level of unemployment, and by the changing age-structure of the population. In all of these areas, there is some room for state economic policies to exert an influence. But it would be a mistake to suppose that state policies are the most important determinants of the region's economic fortunes.

### Critical Role of Primary Jobs

The key to providing expanded job opportunities in Montana is accelerated growth of primary employment--employment in businesses that produce mainly for export. According to our projections, there will be 2.4 jobs in derivative industries for every primary job in 1980. Even after allowance is made for inaccuracies in our projection, it is clear that the main effects of attracting new primary industries will be registered in derivative employment, and that the over-all effect of even a small increase in primary employment will be substantial.

To some extent, growth can also be sparked by what we have classified as derivative industries. This reflects the fact that the

classifications are imperfect. For example, in the financial business, local growth can reflect development of export markets for financial services, or it can reflect a displacement of imported services that would otherwise be obtained in, say, Minneapolis, Denver, or Spokane. In Montana's case, employment attributable to interstate tourism ought properly to be segregated from other trade and service industry employment, and placed in the primary category. The problem is that we have no statistical basis for making such a separation.

Interstate competition naturally centers on primary industries, especially manufacturing and federal government installations. The preoccupation with attracting manufacturing industry derives partly from an exaggerated notion that manufacturing activity itself confers "prestige" on an area. But it also reflects the fact that many kinds of manufacturing provide high-paying, reasonably stable jobs. The same is true of federal government employment.

Most importantly, however, these two kinds of employment are the most dynamic. Agriculture, mining, and railroads, the other major primary industries, have all been declining, both in Montana and across the nation. (It should be remembered, however, that we project an increase in Montana's mining employment in the coming decade.)

Manufacturing in Montana is concentrated in lumber, food, and primary metals, industries which have declined or grown only slowly across the nation. Although the state has experienced a rapid percentage growth of jobs in "other" manufacturing activities--nearly 50 percent between 1950 and 1968--this sector is so small in the state that the absolute increase (two thousand jobs) was of limited importance. Our projections visualize a further growth of 1.6 thousand jobs in "other" manufacturing between 1968 and 1980, more than for any other category of primary employment except federal government, where the projected increase is 4.2 thousand jobs.

#### Limited State Powers to Promote Growth

It is worth reemphasizing that our projection of slow growth for Montana in the years ahead is not based on a view that, industry-by-industry, the state will fail to share national growth. Rather, it reflects the fact that Montana still specializes in industries that are, nationally, going downhill or growing only slowly. These projections are founded on a consideration of the basic forces we expect to be at work, both in the national economy and in Montana. The state has no power to control trends of the national economy. And it has only limited ability to influence most of the basic factors that enter into business location decisions. These include the cost and availability of raw materials, qualified labor, and other production "inputs"



including energy, transportation, and a whole range of ancillary services. The powers of the state to affect these factors are constrained by the United States Constitution, by Montana's constitution, and by a need to consider other, possibly conflicting goals, including environmental protection.

It is difficult, for example, to imagine that the state could have done much to reverse the decline in mining and railroad employment during the past two decades, or to have accelerated the growth of jobs in forest products industries, at least without resorting to policies that were unacceptable for other reasons.

In attracting new industry, Montana's most important disadvantages, probably, are the state's distance from major markets and its relative lack of large pools of skilled labor. The state is relatively powerless to control these factors. But it does influence, and in some cases control, what are sometimes called "secondary" factors that affect business location decisions. These are factors that may make the difference if the basic factors are generally favorable.

#### Secondary Factors Influencing Location Decisions

In 1963, Fortune magazine published a survey of management designed to determine the importance attached to various "community factors" involved in the selection of plant sites. These included most of the factors over which the state has some control. Table 1.8 shows the findings.

None of the four items mentioned most often by the respondents was a direct policy tool of government used specifically to attract industry. Rather, all had to do with general characteristics of the region, its government, and its inhabitants. In general, government policies seem more likely to reflect these factors than to influence them.

Tax policy receives enormous attention in discussions of economic growth, but in the Fortune survey educational opportunities were mentioned 50 percent more often than tax concessions. A superior education system not only increases the local supply of well-trained workers; it also has an important bearing on a firm's ability to attract and retain such workers, who are typically sensitive about the quality of education their children receive.

The findings of the Fortune survey were not, of course, definitive. For example, another study, published in 1964, asked 32 business firms that had recently located in South Carolina about the importance

Table 1.8

Fortune Survey of Community Factors  
Affecting Location Decisions

<u>Factor</u>	<u>Number of Times Mentioned</u>	<u>Percent</u>
Community attitude toward industry.....	376	95.4
Good employer-employee relations in state	357	90.6
Productivity of workers.....	346	87.8
Political calm and stability.....	215	54.6
Educational opportunities.....	204	51.8
Local or state tax concessions.....	133	33.8
Availability of training facilities.....	77	19.5
Recreational opportunities.....	55	14.0
Local or state sponsored financing.....	53	13.5
Population.....	51	12.9
Good weather.....	40	10.2
Cultural opportunities.. ..	39	9.9

---

Source: Fortune, A Fortune Survey on Locating Plants, Warehouses, Laboratories.

of various factors entering into their location decisions. It found that taxation policies and the quality of local government were about equally important. And some of Fortune's findings for 1963 are by now dated. But the survey does provide a point of departure.

The two most commonly employed devices for attracting industry--tax concessions and financing aids--do figure in business location decisions, but their importance is more limited than is sometimes thought, judging from Fortune's findings. And as one expert, Benjamin Bridges, concluded on the basis of a study done for the state of Wisconsin:

Financial inducements of the types now in common use are certainly a secondary location factor in the choice of region and are probably also a secondary factor in the choice of location within a region. On the basis of available evidence it is impossible to establish precisely how important secondary location inducements are. In some cases offers of inducements might significantly affect the decision of a number of firms as to whether to locate in a particular state or in the

adjoining state. In addition to reducing costs, offers of inducements by groups in a particular state might noticeably improve that state's image in the eyes of business officials.

Business Tax Policy. Since business taxation is treated in the recently-completed Montana Fiscal Affairs Study, we do not consider it in detail here. However, it is useful to take a look at the broad outlines of the problem, since in Montana and elsewhere it figures so importantly in public discussions.

In 1967, the Advisory Commission on Intergovernmental Relations, a highly regarded group of federal, state, and local officials, published a comprehensive study of State-Local Taxation and Industrial Location. Among the findings were these:

1. Mainly as a result of competition for new industry, state and local governments have tended to reduce their reliance on business taxes. Taxes with an "initial impact on business," which include levies on real and personal property held by business firms, corporation income taxes, gross receipts taxes, licenses, severance taxes, and other miscellaneous business levies, accounted for 34.2 percent of total state and local tax collections in 1957. By 1967 the proportion had dropped to 29.3 percent. The mirror-image of this shift away from business levies was increasing reliance on taxes imposed "primarily on individuals."
2. State and local governments have adopted a wide variety of special policies designed to attract and retain industry. Table 1.9, adapted from the Commission Report, summarizes these policies.
3. The impact of tax policies on business location decisions is limited primarily to influencing the specific location chosen within a broad geographic region.
4. Individual states tend to "stay in line" with their neighbors, so that business tax policies do not differ widely among neighboring states. This lack of sharp differences makes it difficult to determine how powerful tax incentives are in determining the location of businesses within a given multi-state region.



Table 1.9

60

# State and Local Tax Policies Designed to Attract and to Hold Industry Classified by Type and Character of Action

Type of Tax	Type of Benefit and Character of Policy or Practice		
	1 Legislative Tax Policies Benefiting Most or All Firms	2 Legislative Tax Policies Benefiting Certain Groups of Firms	3 Administrative Tax Practices Benefiting Particular Firms
A  Personal property tax	1A  No tax (New York, Delaware, Pennsylvania, and Hawaii) Selective tax reduction action <sup>1</sup> State administration	2A  Selective exemptions and rate reductions: "Free port" tax exemption with primary benefits accruing to those firms with extensive interstate shipment (26 states) <sup>2</sup>	3A  Favorable assessment obtained through negotiation
B  Real property tax	1B  Low effective tax rates <sup>3</sup> Well-defined assessment standards	2B  1. Reduced real estate tax load for "new" industry (example--Montana through classified assessments) 2. Tax exemption authorized by legislation for designated types of "new industry" (in 13 states local governments are authorized to grant exemptions for "new industry;" in Louisiana, a state board can grant exemptions from local property taxes)	3B  Favorable assessment obtained through negotiation
C  Corporation income tax	1C  1. No tax (11 states) <sup>4</sup> 2. Low effective rate (examples--Indiana, Missouri, New Mexico, and North Dakota)	2C  1. Preferential "write-off" for selected types of investment (example--New York's accelerated write-off provision for R & D facilities) 2. Sales destination factor benefits home-state firms with extensive out-of-state sales (example--24 states with three-factor sales destination formula)	3C  Favorable income apportionment obtained by multistate firms through negotiation
D  Sales vs. personal income tax issue	1D  1. State use of sales taxes--no broad based personal income tax (13 states) <sup>5</sup> 2. Direct business use exemption from sales tax (Ohio has most liberal exemption provision)	2D  Machinery purchases exempted from sales tax for "new and expanded" industry (example--Kentucky and Georgia)	3D
E  Unemployment compensation tax	1E  Below average tax rates <sup>6</sup>	2E  Merit rating provides greatest benefit to those firms with the most stable employment record	3E

Source: Advisory Commission on Intergovernmental Relations, State-Local Taxation and Industrial Location.

1. Examples are: the exemption of wholesalers' and retailers' inventories in Arizona; the gradual phase-out of the tax on manufacturers' inventories in Connecticut; the exemption of special tools in Michigan; and the 60 percent credit against the tax on merchants' inventories and manufacturers' materials and finished products in Wisconsin.

2. The 17 states that tax business inventories and do not have free port laws are: Alabama, Alaska, Arkansas, California, Colorado (except that property in transit will be assessed at 5 percent beginning in 1967), Florida, Georgia, Hawaii, Maryland, Montana, New Hampshire (but goods held for out-of-state delivery by a manufacturer when title has passed to the purchaser are exempt), New Mexico, North Carolina (but tangible personalty held at a seaport awaiting shipment to a foreign port is exempt), Rhode Island, Vermont, Virginia, and West Virginia. As noted in box 1A, four states (Delaware, Hawaii, New York, and Pennsylvania) exempt all personal property. In addition, Arizona and New Jersey exempt business inventories from property taxation, and Kentucky exempts personal property held in public warehouses for trans-shipment from local general property taxation but imposes a nominal state rate on such merchandise. The remaining 26 states, all of which tax business inventories, have free port tax exemptions.

3. Effective property tax rates (the amount of tax paid as a percent of the market value of the property) are particularly low (between 0.5 percent and 0.9 percent) in most of the Southern states, although some of the Western states (for example, Hawaii, Montana, Nevada, Washington, and Wyoming) also have effective rates that are well below the U.S. average of 1.4 percent (in 1962).

4. Florida, Illinois, Maine, Michigan, Nevada, New Hampshire, Ohio, South Dakota, Texas, Washington, and Wyoming.

5. Florida, Illinois, Maine, Michigan, Nevada, New Jersey, Ohio, Pennsylvania, South Dakota, Tennessee, Texas, Washington, and Wyoming.

6. The states with the lowest effective rates (total unemployment compensation tax payments as a percent of total wages), ranging from .4 percent to .7 percent in 1964 were: Indiana, Iowa, Minnesota, Nebraska, South Dakota, Texas, Virginia, and West Virginia. The U.S. average effective rate was 1.3 percent (in 1964).

5. "In order to maximize the favorable aspects of the state tax image while minimizing loss of revenue, state legislative bodies also pursue highly selective business tax reduction policies--property and sales tax exemption for new industry, freeport provisions to minimize business personal property tax loads, special rapid write-off provisions for corporate income taxpayers, and in some cases outright repeal of the tax on business inventories--the tax that is the target of especially heavy criticism from the business community."

Montana's business taxes provide a larger-than-average proportion of state and local tax revenues. But the trend in Montana has been for the proportion of revenue accounted for by these taxes to decline. As table 1.10 shows, in 1957 taxes with an "initial impact on business" accounted for 38.8 percent of total levies collected by Montana's state and local governments. By 1967, this share had dropped to 35.9 percent, 6.6 percentage points above the average for all states. The table also indicates that Montana relied more heavily on business taxes than did most of its neighbors.

Between 1957 and 1967, the proportion of taxes raised from business firms dropped more rapidly in Colorado, Washington, and Idaho, all of which grew faster than Montana. But it fell somewhat less in Utah,

Table 1.10

Percent of Total Taxes Accounted for  
by Levies with an Initial Impact on Business  
Montana, Neighboring States and U.S. Average  
1957 and 1967

	<u>1957</u>	<u>1967</u>
Wyoming	40.3	40.1
MONTANA	38.8	35.9
Idaho	34.5	30.3
Utah	38.2	29.0
Washington	30.6	28.3
Colorado	31.4	28.2
North Dakota	23.2	22.8
South Dakota	18.5	18.9
United States Average	34.2	29.3

---

Source: Advisory Commission on Intergovernmental Relations,  
Supplement to State-Local Taxation and Industrial Location.



whose growth also exceeded Montana's, and we would hesitate to infer that the differing rates of change in business taxes revealed in the table were important causes of the differences in economic growth rates.

The differences shown in the table trace to many factors other than unequal tax rates. For example, the low percentages for the Dakotas are due partly to the relative unimportance of business activity in these predominantly agricultural states. On the other hand, Montana relies more heavily on business taxes than do either Colorado or Utah, both of which are less agricultural, and more industrial, than this state.

Among the eight states shown in the table, only Wyoming collected a larger portion of its total taxes from business levies than did Montana in 1967. In fact, of the fifty states, only four--Louisiana, Texas, and West Virginia, in addition to Wyoming--showed higher percentages of business to total taxes than Montana.

These figures suggest that this state's tax policies are not likely to provide unusual incentives for firms to locate here rather than elsewhere in the region. It must be added, however, that we have no evidence to prove that taxes have had an appreciable effect on Montana's growth.

The state does offer special tax incentives to business, through property tax concessions. One puts "new industrial property" in "Class Seven" for property tax purposes during the first three years of operation. This means that the taxable value of the property is only 7 percent of assessed value. Normally, land, improvements, and equipment are given a taxable value of 30 percent, and inventories of merchandise 33 1/3 percent, of assessed value.

This concession is strictly limited to new business plants. It is not granted for expansion and modernization of established facilities, and it applies only to firms engaged in manufacturing, mining, and milling, as opposed to trade and service-type firms. The purpose of these restrictions is to confine the favor to new businesses in primary industries, without giving up revenue from established businesses or derivative industry.

Another Montana concession confers Class Seven status on "freeport merchandise"--goods produced elsewhere that are either in transit through the state (including those in storage and awaiting transit) or that are incorporated into products destined to be sold outside the state. Machinery and equipment used to control air pollution is also given Class Seven status.



Many other states grant special tax concessions to new industry, often more generous than Montana's. However, according to a study published by the New York State Department of Commerce, as of late 1969 no other Rocky Mountain states offered tax concessions for new industrial property. Neither did Washington or either of the Dakotas. (North Dakota does allow new corporations a limited credit against income tax for wages and salaries paid in the state for the first five years of operation.)

A majority of states have freeport legislation. In many cases the provisions are more liberal than Montana's, allowing complete exemption of all merchandise, regardless of origin, that is destined for shipment outside the state.

Table 1.9 shows numerous other business tax concessions offered by various states. Among the more important are low (or no) corporate income taxes and exemption of inventories and business machinery and equipment from property taxes.

Financing Aids. Most states provide financial aids for business investment. There are three types of programs: development credit corporations, state industrial finance authorities, and borrowing by local governments or development agencies which issue bonds to finance business investment.

Financing aids rank low in the list of factors mentioned in the Fortune survey. However, since the survey was published in 1963, competition among states through such devices has blossomed, and failure to provide such assistance is more likely to hamper development efforts now than it was when they were less widely used. Furthermore, at least one careful study has turned up evidence indicating that these aids may have a greater impact on the volume of business investment than has generally been acknowledged. And the Montana Department of Planning and Economic Development finds that among firms that are contemplating investment in the state, many show a marked interest in the availability of help in securing finance.

One form of assistance comes from state-chartered industrial credit corporations, which obtain private capital from the sale of stock to banks, insurance companies, and other business firms, and are empowered to borrow from stockholding financial institutions. They make loans to businesses that cannot obtain credit from conventional sources. It is claimed that they permit greater pooling of risks than can be accomplished by private lenders. They are more flexible than most public lending agencies, since they can make loans to private firms not only for land and buildings but for machinery, equipment, working capital, and debt retirement as well.

Montana now has a development credit corporation in the capital-raising stage. Most nearby states have authorized corporations, and in several they are operating.

Another financing device, the state industrial finance authority, takes two distinct forms. The first, common in New England, guarantees part or all of private mortgage loans made to industry, in return for an insurance fee. The second makes direct loans of state funds to local development corporations, which in turn assist in the financing of industrial development projects. By late 1969, nineteen states had established industrial finance authorities. Of these, fifteen were located in the northeastern part of the country, and according to the New York study, there were none in the mountain states of the west.

Still another approach is local government borrowing to finance industry. This form of assistance has a long history, (starting in Mississippi in 1936) but it was during the 1960s that it mushroomed. Although it has been used most intensively in the South, by the end of 1967 forty-two states had authorized local governments (or special local development agencies) to issue bonds to finance the construction of industrial facilities for lease or sale to private industry. Usually, borrowing is limited to revenue bonds that can be amortized only out of revenues from the project being financed. In a few cases, however, states permit local governments to issue general obligation bonds, which in effect commit the government to amortize out of tax revenues should the industrial project being financed fail to produce sufficient revenue.

A major advantage of industrial development bonds is that interest paid is exempt from federal and, in most cases, state, income taxes. This means that the issues can be floated at lower interest rates than could be obtained directly by an industrial borrower, whose debt would not have tax-exempt status. Because the device exploits the exemption of interest on state and local bonds from federal taxes it has been widely criticized, and Congress has recently imposed severe restrictions on its use.

In addition, the facilities being financed are sometimes exempt from state and local property taxes. This is not true in Montana, however, or in most nearby states.

Montana's revenue bond law recently passed its initial test of constitutionality. The first issues will be used to finance anti-pollution equipment of the Hoerner-Waldorf Company. There remains some doubt about the meaning of legal restrictions on the scope of activities that can be aided in this way.



According to the New York Study, as of late 1969, Wyoming, Colorado, Utah, Washington, North Dakota, and South Dakota all had laws permitting local governments to issue revenue bonds, although the constitutionality of Colorado's legislation had yet to be tested in the courts. Washington permits use of these bonds by port districts only.

The experts seem to agree that, although financing aids are not primary causes of industrial growth, they do have an effect, particularly on decisions of firms that have limited access to normal private sources of credit. The interest subsidy, if any, is thought to be less important than the effect of making credit available to firms with limited access credit markets. It also appears that loan programs are more important in increasing the amount invested by the firm in a local area than in inducing it to locate there in the first place.

One student of these programs, Edwin C. Gooding of the Federal Reserve Bank of Boston, argues that among the various types of financing aids now in use, the loan guarantee approach (used by state governments in Main, Connecticut, and Rhode Island) offers the most advantages to a state. The critical question, of course, is whether there is, indeed, a "credit gap" that gives rise to a legitimate need for a state-sponsored loan insurance program, and whether the program adopted is structured and run so as to meet this need. Gooding points out that the loan-guarantee programs in operation have experienced very few losses. Any insurance-fund approach to loan guarantees requires, for sound operation, a fairly large-scale program with many borrowers, since the effective risk-pooling works on the basis of the law of large numbers." In this respect, Montana is in a less advantageous position than larger states.

Those Important Other Considerations. Although tax concessions and financing aids are the chief devices used by states and local governments for the specific purpose of attracting industry, other policies that are designed partly or wholly to suit different ends probably have a more important impact, according to most experts.

As we have noted, educational opportunities are thought to be an important secondary factor entering into business location decisions. Montana's educational program is basically strong, although some smaller communities have difficulty providing specialized programs and adequate buildings and equipment. All educational institutions in the state, from public schools through universities, face difficult financing problems. As with other public services, the future quality of educational programs will depend on the state's ability to solve its tax problems and to maintain constant, effective review of program operation. Vocational education, which has grown rapidly in Montana in recent years, has an important potential role in supplying specialized manpower needs, especially if these needs can be identified long enough in advance for programs to be geared to meeting them.



Recreational opportunities, which are one of Montana's most distinct assets, ranked only eighth in the 1963 Fortune survey. Good weather and cultural opportunities ranked at the bottom. Looking toward the longer-run future, as incomes continue to rise people will become increasingly concerned about the quality of their lives and the use of their leisure time. Some items at the bottom of Fortune's list, including cultural opportunities, recreational opportunities, and lack of population congestion will become more important to firms that need to offer an attractive life to their workers. In fact, we would guess that these factors have already become more important than they were in 1963 when the Fortune survey was conducted. It would therefore seem worthwhile to maintain and cultivate these features in Montana, not only for their own sake, but for their contribution to the state's attractiveness to desirable new industry.

One important consideration that crops up often in studies of business location decisions is the quality of government generally. Rational, efficient government is an important consideration to forward-looking industries that contemplate making substantial investments in any state. Investors understandably try to avoid uncertainty, and to seek "political calm and stability" to use the term employed in the Fortune survey. Almost by definition, rational, efficient government generates far less uncertainty than does irrational, inefficient government. This consideration applies doubly to government policies that have a direct bearing on business profits.

Tax policies provide a good example. Professor Ronald Wonnacott, in a thoughtful paper written for the Upper Midwest Economic Study in 1963, argues that the real or apparent inequity of taxes, rather than their level, is what generates a good or bad "image" for an area. This view is common among students of business taxes.

Moreover, businesses worry about the future. The South Carolina study mentioned earlier found that "trends in tax legislation" ranked above "special tax inducements" as an influencing factor in the minds of the new business firms interviewed. Potential investors go to substantial lengths to protect themselves against capricious influences on their costs. Like other taxpayers, they might wish to dictate state policies if they could. But failing that, they value a setting in which decisions affecting them are arrived at only after a rational consideration of the issues involved, because they feel more assured that in such a setting they will not be exploited.

Despite the fact that there have been two major studies of the state's fiscal system during the past six years, discourse over taxes in Montana is primitive and propagandistic, and efforts to bring leaders of the major political parties together to work on the problem in a dispassionate, forward-looking way have failed.

More generally, governmental reorganization and consolidation, and coordinated multi-county districting are all urgently needed if government is to be efficient. The need for efficiency arises independently of any effects it may have on economic development. But the accompanying improvement in the state's "image" to potential investors should not be ignored.

### Some Strategic Problems

The most compelling argument for faster growth is the effect on labor markets. Attracting primary industry is the key. The State Department of Planning and Economic Development works to attract new industry, and to help solve the problems that arise in connection with getting new ventures off the ground. These activities should, of course, be geared to providing new jobs where needs are greatest. We are not experts on industrial development. Our study does, however, contain a great deal of information that should be useful in the formulation of policy. Below we touch on some of the most important problems that need to be faced.

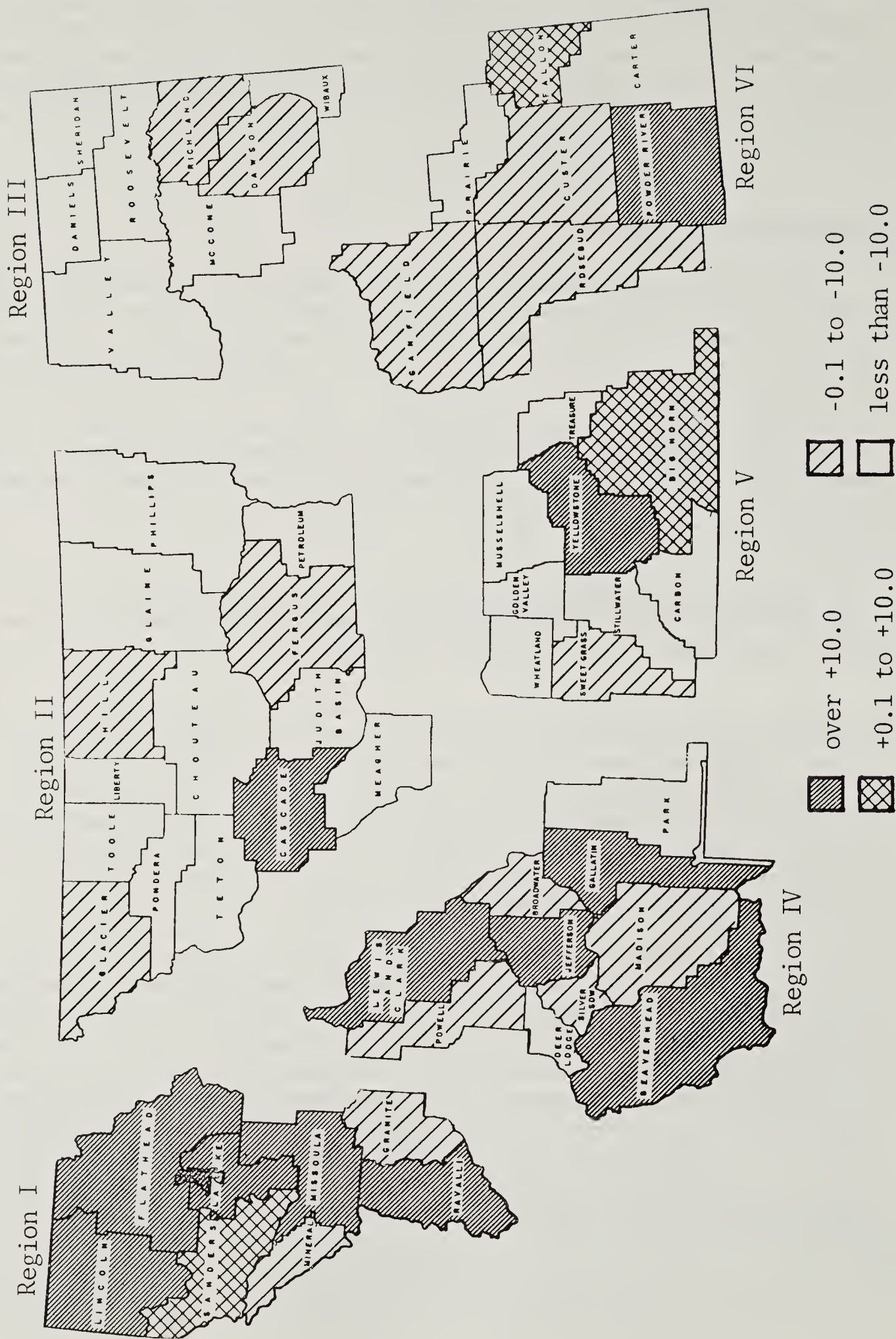
Dangers of Diffused Effort. One problem is that jobs are needed most in areas where employment has been growing least rapidly--just the areas where growth is hardest to promote.

The pinch of the job gap is greatest in the areas where the gap itself is greatest, and the rate of population change in an area provides a rough measure of the severity of this pinch. As figure 1.10 shows, between 1960 and 1970, population declined in 41 of Montana's 56 counties, and increased by less than 10 percent in another 3. As Chapter 6 points out, unemployment is greatest among the "nonfarm rural" population--persons who live outside towns with a population of 2,500 or more, but who do not earn their livelihoods from farming.

In the future, growth will continue to be slowest in rural areas, and it is impractical to think in terms reversing slow growth wherever it occurs. For this reason, it is widely believed that particular areas should be singled out, and turned into "growth centers." The argument for this approach hinges partly on the notion of critical mass--that new industry requires centers large enough to have an adequate pool of labor, and to provide a reasonably full range of services both for the firm and its employees. In addition, the resources of the state available for encouraging growth are limited, and should not be dissipated in scattershot efforts, but concentrated in a limited number of coordinated programs.



Figure 1.10  
 Percentage Change in Population  
 Montana Counties, 1960-1970



Source: United States Department of Commerce, Bureau of the Census.



There is a good deal of sense in this argument, but if such an approach is to be followed in Montana it will be necessary to break down some long-standing parochial barriers to regional cooperation. Moreover, "growth-center" approach would necessitate substantial migration within the state, and require many people to change their way of life. It would also require some hard choices when it comes to singling out the most promising "growth centers," and a hardheaded awareness that bestowing the designation on an area does not in itself bring about the desired transformation.

Indian Poverty. Another problem that deserves priority, but that cannot be expected to yield easily, is the economic plight of Montana's Indians. As Chapter 6 points out, over 50 percent of Montana Indian families had money incomes under \$3,000 in 1959. The figures for 1969, when they become available in detailed 1970 Census reports, will probably tell substantially the same story. Chapter 6 also points out that the 1960 Census found unemployment to be more than four times as high among Montana's nonwhite males than it was among white males, and nearly three times as high for nonwhite females as for white females.

On average, Indians receive substantially less education than whites, and those at work are concentrated in low-paying jobs. One of our Staff Studies deals with possible approaches to this problem. It argues that the major need is to find ways to adapt the Western factory system to Indian cultural values and traits. Indian workers apparently are best suited to enterprises where the work is done individually, and payment is based on work completed. Experience indicates that precision work, such as electronics parts manufacturing and the cutting of diamonds and jewel bearings is especially appropriate. As an example, the paper points to an electronics manufacturing plant on the Sioux Reservation near Yankton, South Dakota, which has established an enviable reputation for the quality of its work. But as the paper concedes, there is much to be learned before we can expect to get far in the difficult job of assimilating Indian workers into a predominantly white economy without violating Indian cultural patterns.

Achieving a Balanced Job Market. One of the major explanations of differences in per capita personal income among states is variation in the structure of the job market. In Montana, the decline of mining and railroad employment has tended to reduce not only total population and income, but per capita income as well, because pay in these two industries is unusually high.

It is entirely possible for a state to attract substantial new industry without increasing per capita income, if the new businesses pay low wages. In this connection, it is worth noting that the trade and service industries that are most directly tied to tourism typically pay low wages. For example, in 1968 employees of eating and drinking

places earned at an average annual rate of \$2,557; for hotel and motel workers the figure was \$2,600, and for workers in automobile dealerships and gas stations it was \$4,978. Those who did not work all year (and there were many of them) earned proportionately less than these annual rates.

One proposed new venture--the Big Sky of Montana recreation development in Gallatin and Madison Counties--aims to operate year-round, offering skiing as well as summer recreation facilities. In addition to public lodging facilities, a large number of homesites will be available. This approach helps overcome the problem of seasonality. But it is likely that as long as present patterns of school attendance and family vacations persist, travel for recreation will continue to be concentrated in the summer months and around the Christmas holidays. This means that jobs in resort areas will continue to be seasonal.

Montanans should not neglect the fact that the state needs industries and businesses that will employ skilled workers and provide steady jobs. This is especially true if the rapid net out-migration of highly educated young workers is to be moderated.

Notwithstanding the need to be selective in efforts to increase primary employment, it should be kept in mind that the major employment impact of attracting a new primary industry is on derivative employment, in industries that serve local markets. And here the prospects are that a wide range of jobs, from professional to blue-collar, will be opened up.

Labor Market Information. Just as faster growth of jobs could help to reduce unemployment, so would intensified efforts to match available workers to jobs, and to make available to unemployed Montanans better information about opportunities both inside and outside the state. Most workers who migrate any large distance to find jobs rely on information from friends and relatives, a strange phenomenon in this era of the "information revolution."

Detailed information about local labor market conditions, about the skills that are in greatest excess supply, and about seasonal patterns of unemployment, are necessary ingredients in the development of rational strategies for generating a better labor market for Montanans. Expansion of the data gathering and disseminating activities of the Employment Security Commission is needed. An expanded program would, of course, require an expanded budget.

Pollution Control. Another critical area is pollution control and environmental protection. If controls were costless, presumably no one would resist them. But they are not costless. They cut into business profits, raise product prices, and reduce the demand for workers in



affected industries. It is against such costs that the gains from tighter controls must be weighed.

The precise effects depend importantly on the nature of the controls and on what other states and the federal government are doing. If Montana's anti-pollution policies are substantially more exacting than those of neighboring states, their impact on business activity will be more pronounced than it would be if the state were "staying in line" with her neighbors. Nationwide standards imposed by the federal government would in one sense be ideal, for they would remove or reduce incentives of states and local governments to compete on the basis of less onerous restrictions. But even then, some industries would find it profitable to shift polluting operations to other countries where standards were less exacting.

Some persons contend that strict pollution controls would make the state so attractive to clean, "light" industries that employment and income would actually rise. They assert that this is so, and they may be right. The question is one of fact, not theory. The factual information is not easy to come by.

If our own guess is correct, and it is a guess, meaningful pollution controls will, at least in the years immediately ahead, work to hold employment and income in Montana below the levels they would reach if policies were more lax. In return, Montanans will have a cleaner environment.

Assuming that stricter controls will inhibit growth, at what point do the gains from a cleaner environment fail to justify the costs of further controls? Do the controls that are adopted minimize the adverse effects on economic growth for a given gain in environmental quality? Does it make sense to adopt the same emission standards for all parts of the state when pollution problems are clearly worse in some areas than in others? Has enough effort been devoted to evaluating the harmful effects of various pollutants, so as to establish a rational order of priorities? In Chapter 7 we suggest that more attention should be paid to getting the most out of pollution regulation. The controls that have been adopted both here and elsewhere smack of arbitrariness that in turn suggests inefficiency. The answers to these questions are not easily found, but that does not mean that they should be ignored or relegated to the background.



## SOME CONCLUSIONS

There is reason to be concerned about Montana's slow economic growth. But it does not follow that state and local government policies are the primary cause of slow growth, or that they should be expected to reverse it. As we have stressed, any state's powers to determine its economic destiny are sharply limited, by law, by the fact that the policies that can be used have limited impact, and by the fact that some of those policies entail conflicts with other goals.

Our projections visualize a decline in primary employment from 83.0 thousand jobs in 1968 to 81.2 thousand jobs in 1980. The projections are admittedly crude and speculative. They reflect what we consider to be the most likely set of fundamental economic forces at work, nationally and locally, in the decade ahead. Those forces, in our opinion, will continue to generate the kinds of pressures that have held down (indeed reduced) primary employment in the state since World War II. They include continued slow growth of employment nationally in some of Montana's most important primary industries, the cost of shipping products to major national markets, and the fact that the state's surplus labor is spread all over the map.

Total employment is projected to increase from 254.4 thousand in 1968 to 278.4 thousand in 1980, thanks mainly to the continued shift toward derivative jobs. The overall increase of 24,000 jobs is, according to our projections, 40,000 fewer than would be needed to make room for the entire "natural" growth of the labor force and, simultaneously, reduce the state's 1980 unemployment rate to the projected national average of 3.7 percent.

Using our projection of 2.4 derivative jobs for every primary job in 1980, it would be necessary for primary employment to increase by 12 thousand jobs, or 1 thousand each year, between 1968 and 1980 to eliminate this job gap. Such a boom would entail a dramatic reversal of the postwar trend. Between 1950 and 1968, total primary jobs fell by nearly 1 thousand per year.

We believe it is impractical and unwise to think in terms of eliminating the job gap entirely. It is, of course, possible that our projections are seriously in error, and that by 1980 it will turn out that there was not, in fact, a job gap. But it is not reasonable to assume that such a reversal could be brought about simply by state actions designed to attract new industry.

Moreover, some of the employment gains that we have projected rest on fragile assumptions. For example, our projection of a 1.3 thousand increase in jobs in metal mining depends heavily on assumptions that

the market for primary metals in general, and for copper in particular, will remain strong. This market is notoriously difficult to forecast. The projection also depends on an assumption that this growth will be compatible with state programs for protecting the environment. The same is true of our projections of employment in metal processing and wood products.

We think it would be a mistake for the state to set a unique target for economic development policy in the coming decade, and that it would be particularly unrealistic to set a target such as elimination of the job gap. Goals are not unique and cannot be pursued single-mindedly. Given the uncertainties that must surround any projections, the limitations on the state's powers to promote growth, and the inability to assess fully and to resolve in advance the potential conflicts between any particular type of growth and other policy goals, setting a concrete goal in terms of, say, employment in 1980, would probably result in undue pressures to accomplish what might well turn out to be the wrong task.

But we do believe that promoting a faster growth of job opportunities is a sensible general goal of state policy. At times, this goal can be expected to conflict with other goals, and difficult decisions as to priorities will arise. We see no way for prescribing, in advance, and from a university office, what order should be given to the priorities.

Indeed, we do not believe that a permanent order of priorities--a grand design--can or should be established. Planning is a continuous process which demands a great deal of flexibility and an ability to respond in different ways to different circumstances. What is a desirable development for one part of Montana may be undesirable in another; a project that is not feasible today may be feasible in 1975; residents of one city may have different priorities than those of another. It is not that policy should be made ad hoc. What we think is needed is an orderly, continuous process that will allow Montanans to consider the facts, express their preferences, and permit priorities to be established and changed in the light of current economic realities and citizen preferences.





## EMPLOYMENT IN MONTANA: PATTERNS AND PREDICTIONS

by Maxine C. Johnson<sup>1</sup>

For many years, agriculture employed more Montanans than any other industry. This was true in 1950, when almost 53,000 persons representing 23 percent of the total employed labor force, were at work on farms and ranches in this state. It was not true in 1968: we estimate that between 1950 and 1968, agricultural employment in Montana declined by some 19,000 workers, and that by 1968 farm and ranch workers made up only 13 percent of total state employment. Most of the 19,000 workers lost were farm operators and family workers, who gave up farming and moved into town or out of state.

Of course, Montana is not unique in losing agricultural workers. Farm employment has been declining throughout the country--in many places faster than in Montana. The reason for these losses is well-known: the tremendous increase in output per farm worker. New equipment, improved farming methods, better varieties of grain, etc., made it possible for one worker to produce over  $2\frac{1}{2}$  times as much in 1968 as he could in 1950.

We expect more workers to leave Montana's farms and ranches between 1968 and 1980.

Many of the influences which affected American agriculture--and Montana farmers and ranchers--in the sixties will continue. Further technological improvements will permit larger farms and ranches. Output per worker will continue to grow. Increases in total production may bring further reductions in prices and further pressure on profits. Substantial changes in agricultural policy, involving moves toward a freer market for farm products, could have the most drastic effects of all, testing the ability of Montana grain farmers to compete in the national market.

The Montana Economic Study estimates that by 1980, total employment in agriculture may have declined to 26,000. This would mean 7,700 fewer workers in 1980 than in 1968. It also means that by 1980, agricultural employment in Montana may represent less than 10 percent of the employed labor force.

---

<sup>1</sup> Assistant Director, Bureau of Business and Economic Research, University of Montana.

There has been much interest in feedlots as a potential source of new employment and income in Montana. We believe that more cattle feeding is a possibility for Montana. Increased feeding would provide additional markets for cattlemen and for grain producers and would create additional agricultural income. It does not represent an important source of possible new employment. In a good-sized, highly automated feedlot, the only kind that can successfully compete today, 6 or 8 workers can care for 10-15,000 head of cattle. Thus, 10 new feedlots would mean less than 100 new jobs.

If the fat cattle could be processed here in Montana, that, of course, would require more workers. It is possible that several hundred new jobs might be created in meat packing plants; these are classified as manufacturing jobs.

Along with agriculture, the mineral industries have been a part of the backbone of the Montana economy--primary industries producing for out-of-state markets. As in agriculture, output per worker in the mineral industries has increased and employment has declined.

In 1950, there were over 15,000 people employed in the mineral industries. By 1968, total employment in the mineral industry had fallen to 11,500, for a net loss of 3,700 jobs. For the most part, these were well-paid jobs that we could not afford to lose.

Metal mining employment declined after 1956, when production began at the Berkeley Pit and much of the underground mining was eliminated. There were approximately 4,900 fewer metal miners in 1968 than in 1950 (1968 figures were adjusted to remove the effect of strike).

Increases in productivity per worker also resulted in fewer jobs in the smelting and refining of copper, lead, and zinc. The construction of the aluminum plant at Columbia Falls during the 1950s and its expansion to the point where it employs 1,000 persons has kept total employment in the primary metals industries from declining. In fact, 1968 employment, at 4,400, was slightly larger than the 1950 figure of 4,000.

Two major oil discoveries occurred between 1950 and 1968; in the Williston Basin in the early 1950s and in the Powder River Basin in 1967 (the Bell Creek field). As a result, employment in the petroleum and natural gas industries was considerably higher in 1968 than it was in 1950 (3,200 compared to 2,200). Thanks to prolific new producing fields and to technological changes in the industry, the 2,200 petroleum production workers in 1968 produced 6 times as much crude oil as did 1,200 workers in 1950. The amount of oil refined in the state doubled between 1950 and 1968, but the number of refinery workers stayed the same (roughly 1,000 in each year).



The number of coal miners dropped from about 800 in 1950 to less than 100 in 1968. There simply were no markets for Montana coal. This situation has changed rather drastically since 1968, and I will come back to it in a moment.

What are the prospects for jobs in the minerals industries in 1980? We expect employment in metal mining to increase during the 1970s; we assume that there will be new copper production facilities in the state, and that employment in metal mining may increase to approximately 4,200 by 1980. New copper production facilities would mean new smelting facilities; at the same time it is possible that some of the older plants in the state may cease operation. Our best estimate is that the primary metals industry may employ 4,000 workers in 1980.

We see only minor increases in employment in the petroleum and natural gas industries between 1968 and 1980. Our projections allow for a total of 200 new workers in the oil industry.

We have lumped together projections of other mining employment; that is, coal mining and other nonmetallic mining. Combined, these industries employed 1,000 persons in 1968; we expect that they may employ 1,200 workers in 1980 and that all of the increase may occur in coal mining. In fact, increases in coal mining may offset some decline in other nonmetallic mining. That is, we expect an additional 200 to 300 coal mining employees by 1980. People who remember when coal mining employment numbered in the thousands may be disappointed in this projection. I would like to point out that one worker in a strip mine nowadays can produce approximately 25,000 tons of coal per year. This means that for every one million ton increase in total production only 40 additional mine workers will be required. Thus, although we are talking of millions of tons of coal, we probably are talking of jobs numbering only in the hundreds.

I might add that new steam generating plants utilizing coal also may create new employment. If steam plants producing power for export were to be constructed; and if steam generating capacity were to increase from about 300 megawatts to 3,000 megawatts; that is, 10 times, this would mean another 300 to 600 jobs. These jobs, of course, would be classified in electric utilities, not in mining.

In total, we see an increase of 1,300 jobs in the mineral industries between 1968 and 1980. However, the number employed in 1980 will be considerably less than in 1950.

In 1950, Montana's manufacturing industries employed 18,000 workers; by 1968, the figure was 24,000, an increase of one-third. We think manufacturing employment may continue to increase, to approximately 26,600 in 1980.



Most manufacturing in Montana is based on the processing of raw materials. I have already mentioned primary metals and oil refining, activities based on our mineral resources. The other major manufacturing industries in the state are the wood products industries and the food products industries.

Wood products is the state's largest manufacturing employer and has been responsible for most of the increase in manufacturing employment. In 1950, 5,400 persons were at work in the forests and in wood products plants. By 1968, total employment had grown to 8,900. There were another 400 employees in paper production.

The increase in lumber production and employment was mostly due to Montana's large timber reserves. After World War II, the state contained the largest remaining unutilized reserves in the United States. Declining timber supplies in other parts of the country caused producers to look elsewhere. At the same time, improved technology and higher postwar lumber prices made it feasible to harvest Montana's steeper slopes, and to use its smaller trees and its previously unacceptable species, such as spruce and lodgepole pine.

We expect some further growth in wood products. Our employment estimate for 1980 is 10,000 workers.

The number of workers in the food products industry has changed very little over the past 20 years, and we expect very little change during the 1970s. This industry is a conglomeration of small plants--meat packing plants, dairies, flour mills, sugar plants, bakeries and soft drink bottling firms. With the exception of meat packing, we see little likelihood of expansion in these industries during this decade. Our employment projection for 1980 is 4,600 workers. We expect that most of the new jobs will be in meat packing plants.

Our tabulations also include a category entitled "other manufacturing." These industries recorded a substantial growth between 1950 and 1960, from 4,400 to 6,400 workers. The group includes printing and publishing; chemicals; stone, clay, glass, and concrete products; pulp and paper; ordnance (that is, missile assembly); and miscellaneous manufacturing. Based on their past record and on the anticipated national growth, we expect these industries to continue to increase their employment to around 8,000 in 1980.

Two other industries are classified as primary industries in our economic study, because they are in some sense export industries. They are railroads and the federal government.

Railroad employment declined drastically between 1950 and 1968, as railroads shifted from steam-powered to diesel engines and as they automated their switchyards. The loss amounted to 7,100 high-paying jobs.

Of course railroad employment has been falling throughout the country, but railroads have employed a larger proportion of the labor force in Montana and this has made the loss more significant here. It is worth noting that the loss of railroad jobs has been much more severe than the loss of mining jobs--7,100 vs. 3,700--even though mining has attracted more attention.

We expect that railroad employment will continue to decline, falling from 6,900 in 1968 to 4,400 in 1980.

Federal civilian employment in Montana amounted to 12,300 workers in 1968, up from 8,300 in 1950. Many of the federal employees are concentrated in agencies concerned with natural resources and the management of federal lands. Thus, the Department of Agriculture and the Department of the Interior, together with the Post Office Department, are the big employers.

We expect the federal government to provide more jobs in 1980--some 16,500 or 4,200 more than in 1968.

I have discussed what we foresee happening to employment in Montana's primary industries during the 1970s. These are industries which provide the basis for growth.

In the next few minutes, I would like to run through the employment projections for those industries which we call derivative industries. These, in general, derive their demand from the local population and provide goods and services for local markets. Then I would like to make a few comments about the tourist industry.

Based on what we see happening in primary employment, we anticipate only modest increases in most derivative industries--in nonrail transportation and communication and utilities, contract construction, and wholesale and retail trade.

We anticipate much larger expansions in the service industries and in state and local government, 13,900 new jobs in services and 13,400 in state and local government. We are all aware that as people's incomes rise they spend more money on services--more people travel, more women go to the hairdresser, etc. We know, too, that demands for government services are increasing and no doubt will continue to increase. And finally, we see a decline in the "all other employment" category which includes nonagricultural self-employed persons and household workers.

There is great interest in Montana in tourism. Unfortunately, the tourist industry doesn't fit into the standard industry classifications. Mostly, of course, it is made up of firms from the retail

trade and service industries. But we don't know how many workers in these industries are serving tourists and how many are serving the local population. So we have no employment estimates or projections for the tourist industry.

We believe that the tourist industry will grow, and that Montana will share in the increased travel of the 1970s. We doubt, however, that its growth will be as rapid as some enthusiasts predict. Between 1950 and 1968, tourist-oriented industries increased their employment at about the same rate as other trade and service industries. Our employment projections for 1980 assume history will repeat itself and that employment in tourist industries will continue to grow at the same rate as employment in other trade and service activities.



# AN OUTLINE OF THE ECONOMIC REGIONS USED IN THE MONTANA ECONOMIC STUDY

by Dr. Paul E. Polzin<sup>1</sup>

## I. Introduction

Professors Chase and Johnson have presented the overall picture for Montana. However, in a state as large and diverse as this, state-wide averages and aggregates hide the widely differing conditions prevailing in specific areas. In order to remedy this we divided the state into the six economic regions shown on figure 1.6, page 28.

We tried to construct these regions so that they contain similar conditions and types of economic activity. The only region which caused us problems is Region IV--which will be discussed later.

We took each region and examined its performance in terms of employment, income, and population for the 1950-1960 and 1960-1968 periods. We also went out on a limb and projected to 1980. This data is summarized in the tables at the end of the paper.

I would like to make a few comments concerning our regional projections. Our major emphasis was in our projections for the state as a whole. Once we were satisfied that they were sensible--we turned to the regions. Essentially what we did was to divide up the state aggregate among the regions. For example, if we thought that mining employment for the entire state would increase by 1,300 our job was to allocate this increase among the regions. Consequently, we have much more faith in the aggregate state projections than the more specific regional projections. Our actual projections are not based on inside information but simply reflect our professional opinions as to the most likely locations for new activity.

The regions are the smallest geographical units we examined. We did not study individual counties or cities. So this discussion is concerned with regions as a whole; even though a particular city may be a dominant part of the region, it was not separated out for analysis or projection.

## II. Region I

In general--this region experienced slow growth in the fifties but had robust performance in the sixties. Overall the fastest growing region.

---

<sup>1</sup> Research Associate, Bureau of Business and Economic Research, University of Montana, Missoula.

- A. From 1950 to 1960--Region I experienced a significant increase in population (12.3 percent) but only a nominal (1.2 percent) increase in employment.
- B. In the sixties Region I mushroomed with an 18 percent increase in population and 31 percent increase in employment.
  - 1. This enviable record, we think, was due primarily to increases in manufacturing employment (which grew from 6,200 in 1950 to 7,900 in 1960, and then to 11,600 in 1968) and to increases in government employment (which almost doubled) by going from 5,700 to 10,900 in the same period.
    - a. Over 80 percent of the growth in manufacturing was due to lumber and lumber-related industries.
    - b. The growth in government employment occurred at all levels: Federal government (primarily forest service), State government (includes the University of Montana), local government, education and services.
- C. Projections--We project that between 1968 and 1980 Region I will continue to be the fastest growing area of the state--but at a rate considerably below that of the 1960-1968 period.
  - 1. Population will increase to 171,000, or up 13 percent, and employment will go up by 10 percent to 65,000.
  - 2. This is the result of slower growth in manufacturing. Manufacturing and mining, we think, will increase by only 1,250 or 10.4 percent by 1980. This includes 350 mining jobs which we think will materialize in the northwest part of the state. The lumber industry will continue to grow but at a slower rate than in the last decade.
  - 3. This increase in manufacturing will be accompanied by a sizable increase in Federal government employment--to 4,470 in 1980.

### III. Regions II and V

- A. Regions II and V are similar because both experienced rather rapid growth in population and employment during the 50s but then slowed during the 60s.

	<u>Percent Change Employment</u>	<u>Percent Change Population</u>
Region II		
50-60	7.8	20.8
60-68	2.4	-1.6
Region V		
50-60	19.2	21.1
60-68	5.9	-.5

B. These regions are also similar because the large employment growth during the fifties occurred in the trade and services sectors of their economies.

1. In Region II we believe that this was in a large part, due to the growth of Malmstrom AFB. The location of the servicemen and their families would cause additional demands on the trades and services and lead to increases in employment.

- a. This seems to be the only factor which could cause this increase in employment because the primary industries did not exhibit any growth.

- b. In fact, the level of manufacturing stayed almost constant during the entire period.

2. The sixties were rather slow because Malmstrom had already reached its maximum size and growth in primary industries were negligible.

C. In Region V we think that the rapid growth during the fifties was probably due to the fact that Billings was establishing itself as a regional trade and distribution center. Also, there was an increase of 1,500 primary jobs in oil refining.

1. During the sixties--these trends slowed and there was little or no increase in primary employment.

D. Projections

1. Region II--slight population decrease with a little increase in employment.



- a. The declines in agriculture and railroad will be barely counterbalanced by nominal (normal) increases in manufacturing, Federal government, and derivative employment.
  - b. Notice that Region II is heavily dependent on agriculture--it is the decline in population and employment in this sector which will have to be overcome for Region II to show growth.
2. Region V--we project a growth of 5 percent in population and 15 percent in employment.
- a. We believe this will be due to normal growth in manufacturing plus additional mining activity in the south central counties.
  - b. Also, we think there will be additional increases in the trade and services sector as Billings continues its role as a distribution center.

#### IV. Regions III and VI

These regions are similar because of their heavy reliance on agriculture. As we have said elsewhere, the general trend for agricultural regions has been one of relative declines in population and employment, and Regions III and VI are no exception.

- A. In Region III there was an increase in population and employment between 1950 and 1960. We believe this was due to the influx of servicemen and their families into Glasgow AFB outweighing the declining agricultural sector. The marked declines in population and employment between 1960 and 1968 was a result of the continued outflow from agriculture and the closure of the Base. (The AVCO Corporation is just not large enough to replace the lost servicemen and their families.)
- B. Region VI experienced declines in population and employment of -.7 percent and -6.0 percent between 1950 and 1960. This was due to the agricultural decline not being offset by increases elsewhere.

Between 1960-1968 the slight increase of 1.3 percent in population and 4.6 percent in employment is, in a large part, attributable to the oil activity in the Bell Creek area. But since these jobs are concerned with only oil exploration, they will move elsewhere when the wells reach operational status.

### C. Projections

1. Region III--we project continued decline in population and employment as the agricultural outmigration is not sufficiently offset by increases in the other sectors of the economy. But, much depends on the success of AVCO and the final disposition of the Glasgow AFB.
2. Region VI--we project an increase of 3.9 percent in population and 7.7 percent in employment by 1980. But this prediction is based on increased employment in mining. This includes any oil exploration plus our belief that coal mining will once again be profitable. But if these increases don't occur, the negative influence of agricultural outmigration would predominate and may lead to actual declines in population and employment.

### V. Region IV

- A. The problem with analyzing this region is that the declines in the metal industries in Butte and Anaconda dominate the data and paint a dismal picture of the whole region. Actually, Region IV contains several bright spots--such as fast-growing Bozeman. If the Butte area could have been excluded, an entirely different picture might have appeared.
- B. In Region IV the big story is the decline in mining employment. In 1950 this industry provided 8,000 jobs. But by 1968 only 3,200 remained (although the latest data suggest that the bottom has been reached and that there have been some increases).
- C. Total manufacturing employment decreased ever so slightly over the 18-year period from 5,400 to 5,200. But, during this period diversification was taking place so that by 1968 only one-third was concerned with primary metal refining.
- D. To counterbalance these decreases in mining, between 1950 and 1968 government employment in Region IV doubled. This is, in a large part, due to the fact that many of the state institutions are located in this region.
- E. Projections

Between 1968 and 1980 we project that population in Region IV will increase by 7.2 percent and employment by 11.9 percent.

1. This is due to a slight increase in manufacturing and mining and reflects a reversal of the downward trend of mining employment in Butte. It also allows for additional facilities in the Lincoln area.
2. We project an increase of 7,300 derivative jobs--trade and service. This is more than we would normally expect--on the basis of the change in primary employment--because it takes into consideration the following (which are classified as derivative industries).
  - a. The Big Sky project--whose employment is classified in the service sector.
  - b. The continued growth in the state institutions located in Region IV.
  - c. Some increases in the trade and service industries as Butte develops into a regional distribution center.



POPULATION, EMPLOYMENT, AND INCOME BY REGIONS

	REGION I					REGION II				
	<u>1950</u>	<u>1960</u>	<u>1968</u>	<u>1980</u>	<u>1950</u>	<u>1960</u>	<u>1968</u>	<u>1980</u>		
Population	114,454	128,541	152,000	171,100	141,772	171,191	168,400	167,700		
(Percentage change)		12.3	18.3	12.6		20.8	-1.6	-0.4		
Total Employment	42,760	43,270	56,540	65,450	55,460	59,790	61,210	62,970		
(Percentage change)		1.2	30.7	15.8		7.8	2.4	2.9		
Agriculture			3,910	2,860			10,440	8,110		
Manufacturing and Mining			12,040	13,290			4,640	5,050		
Railroads			1,450	940			1,710	1,100		
Federal Government			3,330	4,470			2,870	3,850		
Derivative Employment			35,810	43,890			41,550	44,860		
Income Per Capita (1958 Dollars)	\$1,640	\$1,852	\$2,131	\$3,164	\$2,388	\$2,147	\$2,698	\$3,481		
(Percent of State Average)	83.8	95.3	89.2	95.0	122.0	108.2	112.9	104.5		
Agricultural Income Per Worker	\$3,110	\$2,140	\$1,930		\$8,730	\$5,710	\$9,850			
(Percent of State Average)	52.3	50.8	31.4		146.8	135.2	160.2			
Nonagricultural Income Per Worker	\$3,750	\$5,080	\$4,560		\$3,810	\$4,200	\$5,070			
(Percent of State Average)	97.9	116.0	90.5		99.5	95.9	100.6			

Source: Montana Economic Study.

POPULATION, EMPLOYMENT, AND INCOME BY REGIONS

	REGION III				REGION IV			
	<u>1950</u>	<u>1960</u>	<u>1968</u>	<u>1980</u>	<u>1950</u>	<u>1960</u>	<u>1968</u>	<u>1980</u>
Population	56,176	66,861	60,500	51,900	149,322	158,821	163,000	174,700
(Percentage change)		19.0	-9.5	-14.2		6.4	2.6	7.2
Total Employment	20,660	20,900	20,280	18,660	60,520	57,540	58,010	64,900
(Percentage change)		1.2	-3.0	-8.0		-4.9	.8	11.9
Agriculture			5,060	3,740			5,730	4,630
Manufacturing and Mining			810	1,200			7,780	8,230
Railroads			520	310			1,760	1,110
Federal Government			1,000	1,340			2,610	3,500
Derivative Employment			12,890	12,070			40,130	47,430
Income Per Capita (1958 Dollars)	\$1,679	\$1,523	\$2,185	\$2,898	\$1,979	\$2,064	\$2,262	\$3,464
(Percent of State Average)	85.8	76.7	91.5	87.0	101.1	104.0	94.7	104.0
Agricultural Income Per Worker	\$4,530	\$2,280	\$8,830		\$5,570	\$4,050	\$3,930	
(Percent of State Average)	76.2	54.1	143.6		93.7	96.2	63.9	
Nonagricultural Income Per Worker	\$3,400	\$3,970	\$4,640		\$3,970	\$4,510	\$5,280	
(Percent of State Average)	88.8	90.7	92.1		103.7	103.0	104.8	

POPULATION, EMPLOYMENT, AND INCOME BY REGIONS

	REGION V				REGION VI			
	<u>1950</u>	<u>1960</u>	<u>1968</u>	<u>1980</u>	<u>1950</u>	<u>1960</u>	<u>1968</u>	<u>1980</u>
Population	96,311	116,618	116,000	125,300	32,931	32,688	33,100	34,400
(Percentage change)		21.1	-0.5	8.0		-0.7	1.3	3.9
Total Employment	36,600	43,460	46,210	53,160	12,490	11,740	12,280	13,220
(Percentage change)		19.2	5.9	15.0		-6.0	4.6	7.7
Agriculture			5,380	4,160			3,200	2,500
Manufacturing and Mining			4,040	5,100			890	1,390
Railroads			1,190	790			270	150
Federal Government			1,940	2,600			560	740
Derivative Employment			33,660	40,510			12,280	13,220
	<u>1950</u>	<u>1959</u>	<u>1966</u>	<u>1980</u>	<u>1950</u>	<u>1959</u>	<u>1966</u>	<u>1980</u>
Income Per Capita (1958 Dollars)	\$1,879	\$2,138	\$2,385	\$3,448	\$1,921	\$1,909	\$2,213	\$2,998
(Percent of State Average)	96.0	107.7	99.8	103.5	98.2	96.2	92.6	90.0
Agricultural Income Per Worker	\$5,360	\$4,560	\$4,410	\$5,530	\$6,190	\$6,190	\$6,570	
(Percent of State Average)	90.1	108.3	100.7	93.0	147.0	147.0	106.8	
Nonagricultural Income Per Worker	\$2,385	\$5,230	\$4,700	\$3,620	\$3,990	\$3,990	\$4,610	
(Percent of State Average)	99.8	85.0	93.3	94.5	91.1	91.1	91.5	





# IMPLICATIONS OF THE MONTANA ECONOMIC STUDY FOR LOCAL COMMUNITIES

by Dr. William R. Lassey<sup>1</sup>

Many of the implications of the Montana Economic Study are most profound at the local community level. The study indicated that during the period 1960-68 we were exporting a net total of roughly 5700 people per year from the state. The average cost per student per year in the elementary and secondary levels is roughly \$670 (as reported by the Office of the Superintendent of Public Instruction). This is equivalent to \$8,028 per high school graduate for 12 years of schooling, or (multiplied by 5,700) approximately \$45,760,000 in annual investment exported from the state.

The school that graduates 100 high school students per year has invested a total of \$802,800 in its graduating class. If one-half of the graduates leave the community (and many more than half leave most Montana communities) this means a net export of roughly \$400,000 annually. For a school with 50 graduates the figure would be \$200,000.

If we add the costs of higher education at junior colleges, vocational schools, colleges and universities, the annual cost to the state obviously increases. The Economic Study indicated that the highest net migration was from among male college graduates. If we assume roughly 1/4 of the 5,700 migrants graduate from college (1,625 people, and this is probably a conservative estimate) a further cost of \$19,500,000 annually is estimated.<sup>2</sup> These are admittedly imprecise figures, but the combined total represents an annual export of roughly \$65,260,000 from the state.

The educational expenditure is only a part of the cost of raising our young people. If we add to elementary and high school education

---

<sup>1</sup> Director, Center for Planning and Development, Montana State University, Bozeman.

<sup>2</sup> I had trouble coming up with a precise figure here. Accurate data for Montana has not so far been computed. I used a figure of \$3,000 per student per year, which combines the average costs of room, board, fees and state budget per student at Montana State University. Dr. Ted Schultz from the University of Chicago estimated that the annual cost of a college education in 1970 was roughly \$4,000 per student. If you multiply that figure times four years per student we reach a total of \$24,200,000 additional dollar costs for 1,625 graduates over and above costs of high school education.

the cost of food, housing, clothing, transportation, health care and all the community services that are provided to young people in the educational process, we could probably double the estimate. We could also compute earnings lost to the state because of migration. There have been many studies of how much money a high school or a college graduate earns once they secure their education, from which they would later pay taxes to help support future education. From a strictly economic standpoint, migration is a very expensive proposition for the state of Montana.

But the economic costs are only one part of the picture. Another kind of loss, which may be more important at the community level, is the out-migration of many of the most talented people. A very large proportion of young people depart who are potential contributors to high quality services, high quality education and high quality leadership.

Studies undertaken by the Center for Planning and Development and the Departments of Sociology and Economics at Montana State University, suggest that we are losing a great many of the most creative and innovative young leaders from our small towns and smaller cities (even though much good leadership remains in the state). There tends to be a concentration of talent in our larger cities (Billings, Great Falls, Missoula, Butte, Helena, Bozeman). These are locations where educated people can attain a standard of living with a certain minimum of the amenities they desire.

Rural community development programs are made more difficult because leaders are in short supply. There is often a tendency to over load talented individuals to maintain even a modest level of community organization and services.

Small towns and rural communities need professional and financial assistance for development programs, in major part because of talent loss and income loss from heavy out-migration. Community leaders face severe constraints, even with outside help available, in the implementation of effective rural development programs. They simply do not understand the problems well enough and can often marshall only meager resources for solving problems. Financing the education of young people who leave the community is a major drain on local resources, even with modest assistance from county, state and federal sources.

There is considerable data in the Montana Economic Study to support these contentions. Dr. Carl Kraenzel has tried to document the situation for Eastern Montana, and many of his pessimistic predictions about the future of this area are coming true. The overall consequence of these unfortunate social and economic circumstances is community depression in many parts of the state.



## Alternatives

As one alternative for improved state services the State Department of Planning and Economic Development has produced a proposal for multi-county districting. This proposal is based in part on successful experience in attacking development problems on a regional or area basis in other states. It offers an opportunity to reorganize and consolidate development efforts to make better use of human and physical resources. This kind of effort is absolutely crucial; rural areas, small towns and cities are only going to make long range progress if they collaborate. Individualistic small community efforts need not end, but must be combined with the energy and resources of neighboring communities to obtain a sufficiently large mass and critical momentum. This does not mean that individualism is forever subverted; rather, if we are to deal effectively with profound problems and realize the important opportunities (as eloquently emphasized in the Economic Study) we must think in new dimensions. Multi-county districting is one of these dimensions.

We have to design more and better programs for delivery of rural and urban services from county, state and federal governments. Many mechanisms of government and political organizations in the state of Montana are obsolete. Unless we are willing to rethink, revitalize and renew the institutionalized manner in which we meet public needs we will be very sluggish and ineffective in solving our problems.

There is a clear need for an educational program to increase the understanding and competence of leaders in rural areas, towns, and cities of Montana. They need to understand the implications of the Economic Study, the Tax Study, Multi-County Districting Studies and many other kinds of knowledge. Local leaders do not have adequate access to current information. An educational television network could help but we do not have such a system and are not likely to implement one very soon. We must therefore organize a means of helping leaders to "carry the ball" at the local level, to significantly increase understanding of problems and opportunities, and how to deal with those productively. Responsibility for leadership initiative clearly rests with the state government and university units, as well as at the local government level. Unless these units can provide the kinds of assistance local communities need we are in serious trouble, as the Montana Economic Study suggests.



# ENVIRONMENTAL IMPLICATIONS OF ECONOMIC AND GROWTH POLICIES

by Albert G. Melcher<sup>1</sup>

## I. Introduction

- A. In developing "Strategy for the Seventies," what are the implications of economic and growth policies in terms of the environment? What do we need to do to achieve the quality with quantity?
- B. The 70's are the decade of the environment.  
From President Nixon's Message to Congress, August 1970, forwarding First Annual Report on Environment to Congress:  
"The recent upsurge of public concern over environmental questions reflects a belated recognition that man has been too cavalier in his relations with Nature. Unless we arrest the depredations that have been inflicted so carelessly on our natural systems - which exist in an intricate set of balances - we face the prospect of ecological disaster."
- C. In the Rocky Mountain states, we still have time to act rationally. (We may save the Rocky Mountain states, but lose the biosphere.)
  - 1. I don't know what will be said later in this conference, but the environmental crisis is a reality: quantitatively, in stress on life-support systems, and qualitatively, in the features which give us our intangible values.

## II. The Montana Economic Study Report

- A. Pleased to see discussion of environmental problems and quality -
  - 1. Reports of several years ago would not have had this balance.
  - 2. Is an economic report, not an environmental study.

---

<sup>1</sup> Director of Field Services, Rocky Mountain Center on the Environment, Denver.



3. Report must be fused with comparable reports on environmental quality, governmental services, land use, resources, human and social needs, to obtain a clear picture of Montana.
  4. Environmentally, full of "ifs": if Montana takes certain actions, can have quality with quantity.
- B. It indicates a problem; the relatively primitive state of the knowledge of our environment, measurement of costs, and indicators of non-dollar values.
1. We have economic measuring systems - "Participation Income per Worker, Agricultural and Civilian non-agricultural workers" and "Implicit price deflator for Personal Consumption Expenditures."
  2. We need improved environmental indices and "performance" and decision-making criteria.
    - a. Air and water pollution are more easily measured, but effects are not - should take conservative approach regarding effects.
    - b. Actually, we have some indicators if we will use them: degradation of other living things, vegetative and animal.
    - c. Cost accounting is needed.
      - (1) Modify benefits and costs by environmental improvements or impairments for developments.
      - (2) Identify and combine the non-quantifiable values with the dollar values.
      - (3) Deferred environmental costs of degradation - someone will have to pay in the future: this is a form of subsidy.
    - d. We need to view growth, be it in "growth centers" or not, on a systematic basis, considering environmental as well as commercial resources and economic indicators.

- (1) As an example: recreation home and mountain subdivisions: these may cause impacts on environmental resources, may do little for employment, may entail direct costs in utilities, highways and other public costs. Strong policies needed - real estate controls, subdivision regulations and careful zoning based on sound environmental and landscape design processes.

e. We need more thought, study and policies on type and rate of growth.

- (1) Type: economically, you may desire and actively seek labor-intensive, high-education level, seasonal and long-range stability, minimal transportation problems. There should be also criteria for minimal energy consumption, pollution, and other environmental matters. It should be possible to say "no" to growth which may be below a certain level of quality or which may be environmentally malignant rather than benign. Diversity, not monoculture.

- (2) Rate of growth: some areas are growing too fast - California, Colorado Front Range. Governor Love of Colorado has recognized this; rate and type of growth are receiving consideration.

### III. Some specific environmental management tools.

- A. State environmental policy act, similar to the Federal Act.
- B. Environmental Commission - ability to integrate on a systematic basis knowledge of the environmental resources and the many agencies making decisions affecting them.
- C. An inventory of environmental resources.
  - 1. Should be used to guide use of land and resources.
  - 2. Can be used in evaluating impacts of decision, including assisting industry.
- D. Sound planning, utilizing intrinsic natural features.
- E. Enforcement of standards.

F. Citizen involvement must be sought: values, knowledge and balance of diverse citizen interests must be obtained.

1. Governor Anderson's citizen advisory committee should include conservationists, environmental professionals from universities.

G. New institutional arrangements - such as Environmental Quality Council, multi-county districts, etc.

#### IV. Conclusion

A. Americans have a tendency to sacrifice quality, especially when there are pressures. This need not be done:

1. Growth can be accommodated.
2. Government and industry must attempt to use environmental design skills, ecological information.
3. Prevent any outmigration due to misuse of resources. Agriculture, for example.
4. Must preserve diversity, richness, and needs of minority desires in achieving balance.

B. Rocky Mountain West must not become the prostitute to the rest of America in supplying recreation, power and resources at the expense of a degraded environment.



THE MONTANA ECONOMY IN REGIONAL PERSPECTIVE



## THE MONTANA ECONOMY IN REGIONAL PERSPECTIVE

by Donald R. Grangaard<sup>1</sup>

Many times in the history of man what has looked like an extreme or even insurmountable problem has, in the long run, been turned into a giant step forward! But you and I know that the only problem solving methods that produce tangible and lasting results are those which begin with a long, hard look at the facts as they are, rather than as we would like them to be. I believe that, if you will, the Economic Study can materially assist you in dealing with the facts of Montana today.

The Study draws some conclusions which merit special, brief reference. It points out, for example, that economic betterment means different things to different people. There is no rate of growth for Montana that will be just right for everybody. There are some rates of growth that might be too fast for many Montanans, although such growth rates are not likely to be achieved in the near future. The Study properly suggests that the principal near-term objective, however, should be to moderate or reverse the present downward trend of the State's economy compared to projections for the rate of economic growth for the Nation as a whole. I should not imagine that the need to guard against loss of comparative position would be controversial.

The Study also points out, quite correctly in my view, that the rhetoric of public debate often and erroneously assesses Montana's failure to grow with the national average as the primary fault of state government. The fact is, as the report shows, that state government has relatively little power to affect it.

The economy of Montana depends basically on industries that are growing more slowly than the averages of the nation's industrial growth or, in fact, have declined in recent years--forestry, mining, rail transportation, agriculture. It is difficult to imagine that state government could have done much, for example, to affect the changing technology of the mining industry with its dramatic impact on manpower requirements, or to have prevented the shift away from reliance on railroads over the past twenty years, or to have caused significantly greater growth in forest product industries.

---

<sup>1</sup> President, First Bank System, Inc., Minneapolis.



Montana's distance from major markets, its relative shortage of large pools of skilled labor (which I shall discuss at more length presently), and its position as a capital-importing state have been obstacles in the way of attracting more new industry. Government is not primarily responsible for those circumstances, although, over the years, its attitudes and policies will definitely affect the state's attractiveness to long-term capital investors. That is really a subject for special study, perhaps as an outgrowth of your seminar. I do not propose to be attentive to it today.

Despite the continuing importance of railroading, mining and forestry, Montana is principally dependent on agriculture. As in all other states that depend primarily on this slow-growth, low-return business, Montana's agriculture is having its problems. I feel that in the past the writings and speeches of commentators, with respect to the status of agriculture, have tended to become somewhat redundant. Generally, they recite statistics to emphasize agriculture's recognized prime importance; they insist that acreages required for financial success will continue to increase despite the fact that we do not have full proof that larger units, as a general proposition, contribute to a higher ratio of net income (net profit) to gross income. The commentators further assert that, while the average age of all farmers is high, the average age of the really productive managers is not so high, inferring that time yet remains for realistic solutions.

I believe they might more directly acknowledge that the business of agriculture is not altogether agriculture any more. It has progressively shifted from its historical status as a segregated industry, and is now more and more a component of an integrated agri-business commodity system. Mass markets and complex applications of mechanical and chemical innovation have brought a revolution in agri-business, requiring new methods of management in farming and the related services; in addition to the development of new markets and improvement of existing marketing strategies.

One might hope that the broad thrust of the Montana Economic Study would encourage a hard-nosed, coordinated review of Montana's agriculture with respect to a number of hitherto relatively neglected problems. Could you explore the feasibility of joint ventures of ranches or farms which might bring together a number of family units to function under coordinated business and labor resource management, and production planning, but which would not disturb the pattern or ownership? Could the revered family unit with its important sociological implications be thus given a better chance for survival?

For a brief moment I would like to refer to the capital needs of agriculture. What about the concept of leasing versus ownership of the tools of production? Should leasing of production equipment be emphasized as an acceptable method of agricultural financing; thereby reserving more working cash for seasonal needs?

Could Montana turn a more encouraging fact to long-term investors and assure a steadier flow of funds for agriculture and the purchase of land by introducing flexible interest rates or even participation in income--a piece of the action? Not too long ago, a local banking institution was the logical place to go when a farmer in the region needed a loan for any purpose--short term or long term. Now an increasingly high percentage of farmers is turning to one or more of the several organizations within the Federal farm credit system. They have almost unlimited dollar capacity, and therefore do many things the local banker or regulated investor cannot do. The unanswered question is whether such trends build strong local financial institutions which can serve other segments of each community.

I hold to the view that, to the greatest extent possible, local investment and loan funds should be directed toward support and growth of any strategic local industry, agriculture included. The home-based institutions which gather and distribute those funds must grow and participate fully if agriculture is to have community centers of economic support upon which to depend for its own future growth.

I have suggested several possible questions for study and analysis, but have offered no answers. None of the questions is new--some have been considered in other years and left for the problem solvers of the future.

What I mean to suggest is that the time is past when we should look for solutions to agriculture's problems in relatively simple, traditional ways. I fear that the more dramatic marketing considerations presented by farm groups, important as they are on the gross income side, are often over-emphasized at the expense of many of the industry's basic needs. We must approach agriculture on a much broader front, beginning with its structure and its management system. Agriculture is an entirely vital business--certainly. But it is also a business that is evolving and changing, and our thinking about it must evolve and change to keep pace.

So much for Montana's agriculture--some unanswered questions to be sure.

Another view of Montana from a distance suggests that at times the state reflects groupings of competing and muscular regional units, deeply concerned with the economic vitality of a trade territory surrounding a core city, but not similarly concerned with the economic and social vigor of a greater area up to and including the whole state. A larger viewpoint of planning and promotion might be highly valuable to economic progress in Montana.



By the very nature of its geography and its wide area coverage, Montana seems to turn to twelve or fifteen "city-states", each of which is surrounded by a large trade and service region and specially concerned with its own affairs, but is not clearly mindful of the problems or resources of its neighbor. Yet, as your Montana Economic Study shows, the state divides rather naturally on geographic lines into six regions. Would it not be possible for the communities in each of the six regions to combine to achieve for the total region what the larger number of individual, core communities might not achieve for themselves?

As I see it, the six regional groupings might be the basis for coordinated research or inquiry into new or expanded economic activity appropriate for each region. Such research should stimulate general citizen interest and therefore be privately financed; perhaps through functional divisions within an organization such as the Montana Chamber of Commerce, or perhaps through regional industrial development corporations.

With the cooperation of local governments, an area commission could become a forum and provide coordinated opportunity for local units of government or private citizens to work with professional planners. They, in turn, might help decide how the various units could best and most efficiently work together, for the benefit of all.

I can give you an example of how this has worked from recent experience in Minnesota. In the early 1960's the people of Northeastern Minnesota faced the problem of serious deterioration in iron mining. In fact, they were confronted with the probable total loss of that principal economic activity, the one which had sustained them for generations. This directly concerned six counties, no one of which would have had the resources to solve the problem by itself.

As a result, the Northeast Minnesota Development Association was formed, combining the energy and dedication of concerned people in all six counties. Through coordination, much was done to turn the area's economy completely around. From the low tide, when iron mining equipment was being loaded on ships for relocation in other iron mining areas around the United States, the six county association succeeded in giving leadership to a change from high-grade ore exploration to development of low-grade taconite ore.

The processing of taconite is now a major source of jobs and income in the region. In the future years, huge new capital sums will be invested to broaden taconite production and provide more jobs. This has become a real application of the philosophy that a problem can be hammered into an opportunity.



Those were problems too big for the local trading community or an individual county. They were major opportunities for the entire region, and the region was able to focus all of Minnesota's attention on an opportunity for very broad action, which included study and subsequent revision of certain tax laws in Minnesota. There is now an entirely new tone on Minnesota's Iron Range, for which the Northeast Minnesota Development Association receives much credit. The Association today is still active and effective.

While I do not have full knowledge of the long-range prospects for greater utilization of the coal resources of Southeastern Montana, I often wonder if area-wide attention to this one segment of the economy might bring better rewards.

In another direction, and with an eye beyond Montana, there is possible consideration of Montana's role in the great Northwest.

In 1968, the Upper Midwest Research and Development Council suggested that a major challenge to the area, and therefore to Montana, is to develop multi-state interest in activities which contribute to Upper Midwest growth. It seems logical that we might begin now to think on the broader fronts that extend beyond state boundaries, particularly in the sparsely populated states of Montana and the Dakotas.

These states cover enormous geographical areas. On a coordinated basis, they have tremendous potential for efficient planning and action. They have capability for the development of common regional facilities featuring special technical expertise which might not be possible for the individual states, within the framework of existing state governments.

For instance, the scarcity of doctors and other medical personnel in our wide-open spaces is well known, and the nation's facility for training non-resident students who desire to serve here will soon be overtaxed. What would be the advantage to the entire region of a three-state medical school of quality and prestige which perhaps none of the three states can achieve by itself? There may be other possibilities as well which might commend themselves to consideration together with your neighbors across state borders--a good bit of research would be required, but I suspect interesting possibilities could be developed.

So far in this discussion, I have offered two main suggestions. First, that you give a hard, searching and up-to-date look at the problems agriculture faces and obviously the consideration extends beyond Montana. Second, that you consider and investigate the possibility of cooperation over broader areas than have been recognized in the past.

Now I make a third and final observation. One very important factor for consideration and action by forward-looking Montanans is an expansion of vocational training for its young.

I say this with special reference to Montana because there has been some suggestion from time to time that vocational education has not received the priority it deserves. Some observers suggest that vocational education in Montana has been fragmented between secondary schools, post secondary schools, and private schools, with little coordination among the three.

As many of you know from recent efforts to attract new industry, the availability of local pools of trained or trainable labor has been a most important factor affecting the competitive bidding for relocated industry. Minnesota has had the problem and has taken long strides toward correcting it. It has in the past few years created a state-wide network of area vocational technical schools, financed by the Federal Vocational Act, by allocated state funds, and by some local revenues. Presently there are 31 separate schools across Minnesota, some of which are quite small in pupil numbers with total attendance currently above 15,000. Tuition is free in many cases, very nominal as a matter of policy where there is any. We have found that where industrial employment is low, the addition of a vocational-technical school can produce a local labor force which is less susceptible to the temptations of out-migration. The availability of skilled local manpower or womanpower is one of the great "pluses" for any community or area when an industrial concern is looking for a place to locate. As I suggested earlier, Montana cannot change its distance from major markets and other factors which militate against rapid industrial growth. If, however, it could offer an exceptionally highly-trained and available labor force in a given area, this alone might be enough to tip the scales in your favor. Here may be another opportunity which Montanans will not overlook as the future moves into the present.

Now, I should like partially to review and partially to expand on what I have already said.

In my opinion, the trend toward a declining and changing population in Montana is not likely to stop soon.

If there is to be a revitalization of rural America---including Montana---so that it will attract and support increasing numbers of people, actual deficiencies and obstacles must be faced and constructive solutions arrived at. I doubt if these solutions will come from any one, or two, or three major decisions. More likely they will come from many decisions collectively reinforcing the thrust of Montana's agriculture and agri-business as viable industries, and of



your other basic advantages--climate, geography, natural resource development, water, well-planned extension of power and other basic services, plus great people.

Of course, there is nothing new in this statement. The efforts of well-meaning and thoughtful people have been directed to the nature of Montana's economy for decades. I referred a moment ago to the work of The Upper Midwest Research and Development Council. It has been active for at least ten years. Prior to that, there were other fragmented efforts at coordinated inquiry. The Montana Economic Study now certainly brings up to date in a very commendable way the data which has been previously assembled. It would seem to me that there is now an adequate base, created by more than 10 years of hard work, for interested and dedicated people to begin to resolve local differences and attack some of the problems which are now recognized, and for which solutions must be found.

People who have been observing Montana and have been working with various groups in the state have expressed a feeling, in recent months, that there is much pessimism about future economic growth. There may be causes for pessimism; yet it seems to me that there are real grounds for optimism in the fact that the decision-makers in Montana--political leaders, legislators, members of numerous boards and commissions, and community leaders at all levels--are aggressively searching for rational political as well as economic and social solutions, and are willing to listen to new ideas and approaches.

In such a search, it is good to remember that not every state or community faced with dwindling population should seek first to attract new industry. Rather it should have a look at its own attitudes and turn its attention to the services and professions designed to take care of the people who are already there. The state and individual communities should do first what they are set up to do--govern wisely and efficiently and try to create for those within their own boundaries the best possible way of life in terms of social needs and aspirations. An outstanding job in this respect will attract both industries and people--automatically.

I have referred to Montana's many resources that can be the basis for bringing about economic development. The interests of all, however, must be coordinated. In this respect, the two-day symposium in which you are now engaged, with the basic factual assistance provided by the Montana Economic Study, is certainly a beginning setp. If nurtured and continued, it can mean much for an effective attack on the state's problems of the future.



A grand design or permanent order of priorities need not be established. Planning is a continuous process which demands flexibility plus willingness and ability to respond in different ways to different circumstances. A desirable development for one part of Montana may be undesirable in another, and feasibility today does not suggest feasibility in 1975. However, an orderly, continuous process which allows Montanans to consider facts, express preferences, and establish priorities is needed and will be fruitful.

Above all, it is incumbent on leaders to forge ahead toward realistic solutions. This requires brutally frank appraisals of what can and should be done, not long reports emphasizing what cannot be done. The future of any community, any region, any state, lies in the integrity, the toughness and the creativity of its people. And time is all too important because the responsibility for the future will soon pass from the shoulders of you who now share it to the shoulders of your children, who must be trained and educated to meet a continuing challenge--and encouraged to do their work in Montana.

You remember President John F. Kennedy's frequent reference to a portion of George Bernard Shaw's writings: "Other people see things and say 'why?' But I dream of things that never were and say 'why not!'" Those familiar words embody a spirit which Montanans and Americans as a whole have always had; the spirit will sustain us as we strive to build for the future.

DEVELOPMENT PROSPECTS FOR MONTANA





DEVELOPMENT PROSPECTS FOR MONTANA  
THE CASE OF AGRICULTURE

by Dr. Richard J. McConnen<sup>1</sup>

Kenneth Boulding wrote, ". . . it is, I think, the peculiar business of ecologists to be pessimistic. In these days ecology may well take the mantle of doom and the name of the "the dismal science" from economics". (Pg. 234 - Future Environments of North America)

Professor Boulding is a very nice and a very capable man. However, he is, I'm afraid, far too optimistic. As gloomy as ecologists are, when it comes to talking about a particular economic activity in a particular area, economists can win hands down in the "gloom and doom" division every time. Maybe this is just a reflection of a personal gloomy outlook but I think that it reflects some understanding of the political, the social, and the economic environments, in which we are all immersed. Those environments, like our physical environment, are incredibly complex and chock-full of unseen interactions. Therefore, I find it difficult to be a "Yes" sayers. I'm not apt to say, "Yes, this will work," and "Yes, that gadget will bring sure-fire economic salvation!" There are two reasons for this.

First, as incredibly ineffective as the market place is and as incredibly irrational as people do act on occasion, by and large and over the long run, people, making decisions in their own interest, do an incredibly good job of both satisfying consumer wants and using resources efficiently. Given the present state of technology, and our economic and political environment, most farmers and ranchers in Montana are doing a good job of using their resources efficiently. I don't buy the so called "ignorance thesis"-the "Just wait till they find out!" approach. For example, I think the industrial tax lures recently proposed by the State Department of Planning and Economic Development make more sense as a means of promoting economic development than an ad in the Wall Street Journal. But let me take an example from agriculture.

"Why don't we have more cattle feeding in Montana?" I'm certain you all know "we have the feed - we have the cattle." I think the

---

<sup>1</sup> Head, Department of Agricultural Economics and Economics, Montana State University, Bozeman.

answer is straightforward. It is, "Not enough people have found the ways to make cattle feeding economically profitable". That's why cattle feeding hasn't grown more rapidly in Montana.

What can we do to increase cattle feeding in the state? I don't have an answer, but I feel fairly certain about two things. Number one; management - particularly financial management - is a very crucial variable. Number two; drum beating and snake oil, which are guaranteed to make all us "ignorant folk smart" to the golden opportunities we've stubbornly ignored all these years, are not crucial variables. If cattle feeding were a gold mine we'd have much more feeding in Montana. I don't think that we should expect to find gold, but we must realize that profits are more important than number of feeder cattle and bushels of barley.

So I'm not a "Yes" sayer because I think that, on the whole, people do a fairly good job of using their resources efficiently. Therefore, I cannot accept the "Just wait till they find out" approach - the "ignorance thesis." Most present trends in Montana agriculture are not very encouraging. If these trends are to change, we must predict-and then change where possible-the technical, economic, and political environments of Montana's agriculture. Prosperity will not come just because we either want it badly or say time and time again "Yes, it's going to happen". It's a funny thing. Prosperity doesn't occur until someone makes a profit.

The second reason I'm not a "Yes" sayer is that so many of the important variables influencing the economic future of Montana's agriculture are controlled outside the state. Many times, as far as we're concerned, they're manipulated in an unpredictable manner. Therefore, the future of our agriculture is not entirely in our hands.

Of course, agriculture is not alone in this. For example, take Montana's oil and coal. We have federal legislation which provides for oil import quotas. This legislation was passed as a means of providing for national security. A Presidential Task Force reported in February of this year that the East Coast delivered price of domestic crude was \$3.89 per barrel. If oil import quotas were eliminated, this price would have decreased by \$1.65 per barrel. It's likely that this legislation will be changed in the near future. If oil import quotas are dropped in favor of more National Defense Petroleum Reserves and if the Middle East crisis cools off, interest in Montana's coal development and oil exploration may well assume a very low profile indeed. Why? Because variables that influence us very much but over which we don't have much control, are apt to change.



But again, an example from Montana's agriculture. They're happy in New England and the Southeast about new restrictions on the importation of Japanese textiles. Because of the importance of the Asian market to Montana's grain producer, I think we can hardly be happy. Few of us expect the Japanese reaction to be, "If you buy less from us we'll buy more from you." To me, it seems irresponsible to say "Yes, the future of Montana's agriculture will be thus and so" when we can neither control nor predict many of the variables. And in no case is there a variable more important than our own national agricultural policy. Despite the help of our very capable and relatively powerful Congressional delegation, we can at best influence slightly, but certainly not dictate agricultural policy. It's no longer possible for even U.S. Agriculture to do that.

Someone once said, "If you laid all the economists in the world end to end, they couldn't reach a conclusion." I've given evidence in support of this statement. Someone else said "If you laid all the economists in the world end to end, it might be a good idea." I'll beg out on that one.

What I'd like to do in summary is to list nine variables which I think we've got to watch if we're going to predict the development prospects for Montana's agriculture. Nothing new here, but I hope I can provoke you not just to predict, but more importantly to judge what can be and what should be done. All of my comments are based on the conclusion that we will continue to have surplus production capacity in American agriculture. This means a continuation of the cost-price squeeze and a political environment less and less concerned about agriculture and more and more concerned about such things as pollution, inflation and unemployment. The nine variables to be discussed are agricultural policy, transportation, exports, agribusiness, management, livestock feeding, irrigation, corporate farms, and the recreational use of agricultural lands.

First, Agricultural policy: Agricultural programs in the future will cost less and hurt Montana more. This means the farmers will, on the average receive less income in the form of government payments. The right to produce food and fiber will depend less and less on the historical patterns of production and more and more on competitive forces. The future of Montana's agriculture will (even this next year) begin to depend on our competitive strength relative to other agricultural regions. While the details of the conserving base and set aside are not fully known, things don't look bright. The patterns established in the 1930's are beginning to be a heavy load to pack. Without strong political pressure, Montana's agriculture, and therefore Montana, will suffer a great deal.



Second, Transportation: I see a healthy sign developing. More people are blaming the Interstate Commerce Commission for freight rate increases and fewer people are saying that all railroad men beat their wives. We badly need a transportation policy for our transportation system. Because we don't have an over all policy, and because the railroads have relatively little competition as haulers of Montana grain, grain producers end up paying for little used branch lines, money losing passenger trains, and inefficient use of rolling stock. In many cases, unreasonable regulatory rulings are responsible. The solution is to bankrupt neither the railroads nor the farmers. Each must have the other to survive. Unless we can find a way to make a series of changes that result in net benefits to shippers, to haulers, and to the general citizens, our future isn't bright. I've said before, Montana is not only the land of the Big Sky; it is also the land of the long haul. If we don't develop an overall transportation policy aimed at developing a fairly priced and an efficient transportation system, Montana will also become the land of the light haul.

Third, Exports: A little less than half our agricultural income comes from grain. We are very dependent on the export market for grain. Most any change in U.S. trade policy that hampers exports hurts Montana agriculture.

Fourth, Agribusiness: Agricultural production makes it possible for all of agribusiness to exist. We know that. But sometimes we forget that we must have efficient businesses and people selling to, and buying from, agricultural producers. If Montana's agribusiness community is not efficient, Montana's producers can never expect to maintain adequate competitive strength relative to other agricultural regions. It is for this reason that Montana State University will place greater emphasis on teaching, research, and public service directly related to agribusiness.

Fifth, Management: Management is part - perhaps the most important part - of our modern technology. I think the greatest economic potential Montana has is to be found in improved management in agriculture. What would happen to Montana's economic position if all the farm and ranch operators performed the way the best third do now? The general economic conditions will tend to squeeze out both the poorer managers and the good young managers on small units that can't grow fast enough. We need to learn more about what good management is. We need to find better ways to help people learn how to be good managers. I am particularly encouraged by a pilot Farm Management Association which Coop Extension is just starting in the Billings area.

Sixth, Livestock feeding. I've already said enough.

Seventh, Irrigation: With an increased effort - already begun by the SCS - to improve water use on existing projects, we could increase agricultural output on irrigated land by at least \$75 million per year. At the same time we could lessen pollution caused by excessive run off and reverse the pattern of good land lost to alkalai and high water tables. I think this has already started in areas like the Fairfield project. I'm encouraged by the activities of the State Water Board.

Eighth, Corporate farms: Despite the worry of some, I don't think large corporate farms owned by outside interests will take over the state. I do think, however, that the fear of corporate farm takeovers is a secondary symptom of a very serious disease. We're afraid outside buyers will take over because we don't see how many Montana residents could finance the purchase of a \$300,000 to a \$1,000,000 operation. The entire U.S. faces a serious financial crisis in agriculture if the fear of corporate take overs is to be eased.

Finally, ninth, Recreational use of agricultural lands: If you can't have an oil well, wouldn't it be nice to have an Eastern tourist sit around on your place for a few weeks a year - not causing one bit of trouble - and in the process solve all your economic problems. I think the probability of this happening is not as good as the chances of finding a good oil well at 1200 feet. With few exceptions, fees from recreational use of agricultural land will amount to no more than a mild income supplement. In the case of the exceptions, the credit must go less to the land than to very special people, management, and fairly expensive capital developments.

The prospects for Montana agriculture in the 70's; I think it's a crisis situation. The literal translation of the Chinese word for crisis means, "dangerous opportunity." If we do nothing, we do nothing but hope for a continuation of past trends. The dangerous opportunity will then become a tragic present. I think we can do better.





## DEVELOPMENT PROSPECTS FOR THE FOREST PRODUCTS INDUSTRY

by Leo K. Cummins<sup>1</sup>

In Montana, poletimber represents about one third of the cubic volume of trees five inches DBH and larger. Commercial forest land area supporting this cubic volume is composed of approximately forty-three percent pole timber stands. Most of these stands are the results of extensive fires.

Large areas of sapling and poletimber stands are overstocked. Pechanec<sup>2</sup> states that "statistics are not available to show how much of this is in overstocked stands, but it is unquestionably quite a high percentage. Overstocked stands fall behind in growth and never catch up. If the silvicultural application does not cause long-lived damage to timber and other ecological values, the overstocked stands should be replaced in an orderly manner. These stands contain an appreciable amount of wood that could contribute to needed timber supplies in the near future."

Is there a critical housing shortage in the United States? Although current housing and lumber markets are in a slump at this time, the President's Task Force on Softwood Lumber and Plywood has concluded that the demand to meet housing goals of 26 million new housing units in the next decade will exert unsurpassed demand pressures on our timber supply. It was concluded that demand for softwood timber would accelerate sharply after 1971, and that the supply situation will be acute by 1974.

In 1968, when 1.9 million new houses were built, including mobile homes, there was a shortage of available timber to support the forest products industry in the western United States. Unprecedented raises in stumpage value, plywood and lumber pricing were vociferously attacked nationwide. The President's Task Force and other committees were formed to seek solutions, and Congress began instant investigation into the problem.

---

<sup>1</sup> Associate Professor, School of Forestry, University of Montana, Missoula.

<sup>2</sup> Pechanec, Joseph F. Problems and Opportunities in Western Montana Overstocked Tree Stands. Keynote Address: Small Logs Harvesting, Handling and Sorting Seminar, University of Montana, October 20, 1970. Mr. Pechanec is Director, Intermountain Forest and Range Experiment Station, U. S. Forest Service, Ogden, Utah.

Problems of handling and sorting logs, four-inch top diameter and larger, have been solved. Production equipment to process small logs is abundant. The problem of developing large scale logging operation techniques in pole timber has not been solved in Montana. However, loggers in interior British Columbia state that they have solved the problem. They are taking all logs to a minimum four-inch top diameter. Two new high-capacity sawmills to handle small logs are under construction in the Penticton, British Columbia, area.

Senator Mark Hatfield (1969) of Oregon was quoted in the Eugene, Oregon, paper as saying that our nation represents 5.7 percent of the world population using 40 percent of the world's natural resources. As a nation we say we want to improve the standard of living of other nations. It requires goods and services to improve a standard of living. If we are to become more restricted to our own natural resources, where are these resources? Under these conditions the priority of forest management grows greatly in importance and the means of establishing values becomes critical.

We are in a period of change. Our priorities are different than they were ten or twenty years ago. It is important to all the people of our nation now and in the future, that we properly interpret values to experience the greatest benefits from our natural resources.

One cannot equate lumber demand solely to the demand for timber. There has been a steady decline in demand for lumber products for several years. However, there has been a steady increase in demand for timber to produce all forest products. Better yield in utilization of this resource is paramount and will slow down the growth curve for timber demand.

We have the capacity to support more small log sawmills, particle board plants, etc. We should create a fully productive forest to assure adequate supplies of wood for future needs.

Many of the stagnated pole timber stands of softwood timber species occupy sites of highly productive timber-growing value. In their present state, the following elements should be reviewed when determining the management of these stands:

- A. In favor of protecting the present natural state are:
  - 1. Soils highly erosive or subject to serious erosion.
  - 2. Susceptible to flood.
  - 3. Provides an aesthetically pleasing forest from a distance.

4. Patches have been claimed to be essential for elk cover.

B. In favor of change in composition are:

1. Extensive overstocked sapling and poletimber stands become aesthetically monotonous and uninteresting.
2. Potentially explosive crown fire hazard, when forest fuels are dry.
3. Recreational value of these dense timber stands is rated low.
4. Watershed value is poor for water yield.
5. Value as wildlife habitat, especially big game and upland birds, is generally low due to lack of sunlight and sparse ground cover for browsing.
6. Timber growing values are suppressed or stagnated.
7. A salvable resource to meet the impending crisis for the softwood timber species. The silvicultural system applied should vary according to timber types, soil and stand conditions.

Clearcut harvesting techniques are under attack. Economic selection for clearcut, as practiced in the past, is no longer acceptable because of many examples of damage to the environment and aesthetics. If required care is given to prudent analysis of environmental elements, including design of cutting units as described by Coutant<sup>1</sup>, the clearcut system is a valuable silvicultural tool. Pechanec<sup>2</sup> states that "some-- because of age, species, or severity of over-stocking--will not respond; and the existing stagnated stands will need to be converted to young vigorously growing stands by cutting and regeneration."

---

<sup>1</sup> Coutant, Gerald J. Timber Harvesting and Aesthetics are Compatible. October 20, 1970, Small Log Harvesting, Handling and Sorting Seminar, University of Montana, Missoula, Montana. Mr. Coutant is Supervisory Landscape Architect, Division of Recreation Lands. Northern Region, U.S. Forest Service, Missoula, Montana.

<sup>2</sup> Pechanec, op. cit.





## MONTANA'S MINERALS' INDUSTRY

by James A. Robischon<sup>1</sup>

The Montana Economic Study has forecast that there will be an increase of 1300 jobs in the metals mining industry by 1980. This forecast could very well be substantially under the actual result for the period. In reviewing the basis for this forecast, it should be noted that during the period studied, the metals mining industry underwent two unusually severe strike periods.

In addition to these developments there was the transition in the metals mining industry in Butte to surface excavation from the customary underground methods with a resultant decrease in the number of employees required to accomplish the primary production necessary from the Butte district.

In reviewing recent employment figures of The Anaconda Company in its Butte operations, it is noted that there has been an addition of 300 salaried jobs since January 1, 1970.

Given the opportunity to continue in the primary production of copper from the Butte district under favorable local conditions and with the anticipated metal demand, the Butte district alone could reasonably provide the 1300 jobs forecast for the industry for the period.

The economic study predicted that during the 70's, three new mines would be developed. This is perhaps optimistic. As a representative of the mining industry I hope for the expansion of the industry in Montana to this extent, and, that if three new mines are to be developed, Anaconda will have at least one of them. If new mines are to be developed in Montana during the 70's, some or all of these mines would necessarily be located in part upon or in connection with public lands.

### Expansion of Mining Upon Public Lands in Montana

The geologists tell us that the greatest areas of mineralization of the hard minerals are in the ridges of the Rocky Mountain chain.

---

<sup>1</sup>  
Assistant General Counsel, The Anaconda Company, Butte.

In Montana, this area includes locations of high scenic value principally in the western part of the state. By and large these lands have gone unclaimed for uses other than mining and agriculture. The uses of the public lands are presently subject to the regulation of various State and Federal agencies.

#### Public Land Use Policy Must Encourage Mineral Development

The United States Congress has declared the national policy to be that the public lands of the United States should be retained and managed or disposed of in a "manner to provide the maximum benefit for the general public."

For the purpose of carrying out this policy, the public land law review commission was established to review the existing structure of the law and determine whether and to what extent revisions might be necessary.

As to mineral resources on public land the Commission found:

- (1) "Public land mineral policy should encourage exploration, development, and production of minerals on the public lands."
- (2) "Mineral exploration and development should have a preference over some or all other uses on much of our public lands."
- (3) "The Federal Government generally should rely on the private sector for mineral exploration, development and production by maintaining a continuing invitation to explore for and develop minerals on the public lands."

#### Congressional Support Required for Expansion of Metals Mining Industry in Montana

Priorities governing the use of public lands necessary for the expansion of the mining industry in Montana must be established ultimately by the Congress of the United States and to some extent the legislature of the State of Montana.

As all of you are aware, there are conflicting designs upon the uses of the so-called public lands. It is not just a matter of conflicting uses between the cattleman, the farmer, and the miner, but much more than that there are new claims to the land being made on behalf of the public relating to its recreational and esthetic value.



Since the public lands are open to use by all of the people of the United States, they may effectively fall under the control of the citizens of the states that have no interest whatsoever in the economic use of the lands as opposed to the esthetic and recreational uses of the lands. I doubt that many of the citizens of the State of Ohio or Pennsylvania are greatly concerned whether or not Montana develops three new mines on public lands in the next 10 years.

The representatives in Congress and the members of the United States Senate will ultimately declare the order of priority for the use of the public lands in western Montana. Without the support of the Montana Congressional delegation and particularly the Montana members of the United States Senate, Montana may not have a chance to develop its mineral resources located upon the public lands or that are to be developed in connection with the use of public lands.

#### Mineral Development and the Environment

Those that oppose the orderly development of the mineral resources of Montana equate mineral development with a degradation of the environment. A great national attention is being directed to the lands of Montana by conservation groups, newspapers, and national magazines presenting a proposal that these lands should not be developed for resources other than those of esthetic or recreational value. Many opponents to the development of natural resources would not permit the use of these lands for recreational activity except on a very selective and limited basis.

In my opinion mineral development and protection of the environment are not mutually exclusive goals. There is no reason why a compatible adjustment cannot be obtained and the public lands managed in a "manner to provide the maximum benefit for the general public."

In the mining industry a modification of the existing laws would be desirable as these laws relate to the exploration of public lands for valuable minerals. Reasonable regulations should be established governing the orderly development of mineral deposits. Reasonable requirements for the reclamation of public lands upon the fulfillment of the lands' mineral resources use should be established. Adjacent resources should be protected to maintain an existing quality when these lands are not used in the development of resources.

These are but a few of the things that can be done and that have not been done to secure the protection of the environment and permit the development of natural resources. Unfortunately, there are those that turn a deaf ear upon these proposals even though there has been no opportunity to approach the problem under these proposals.

Conclusion

In conclusion let me restate the basic points that are involved if Montana is to further develop its metals mining industry during the 70's. Priorities must be established relating to the use of public lands that will include mineral development. Since the lands of the United States are primarily involved, Congressional priorities must be established. We cannot rely upon priorities established by the professionals. Too often these priorities are totally self-serving in their concepts. New methods of protecting the environment whether through a revision of existing laws or the enactment of additional legislation should be given the opportunity to accommodate mineral development with the protection of the environment.

The next 10 years are going to be crucial years for the metals mining industry in Montana. The determinative question will be -- Are the public lands in Montana to be the "wise work shop for the many" or "a temple of unmarked landscapes for the few?"

## DEVELOPMENT PROSPECTS FOR TOURISM AND RECREATION

by Gus Raaum<sup>1</sup>

I don't have a doctors degree, and I am not a professor; except the seat of the pants kind. The only professional title that I profess is a CPA, and the only reason that I am a CPA is that when I came from Norway I was 21 and couldn't speak English. I took a lot of accounting at the university because reading figures on the black-board is the same in any language. I finally had so much accounting that I decided to graduate in accounting, which I did.

You Economics people that the Governor talked about today; I hope that I will dress you down a little bit by the time I get through here. I may not be here to "fess" up to it, though.

I have been asked to talk about prospects for the Montana recreation and tourist industry. I think, as far as the 1970's, if you read documents, magazines, etc., including the investment papers; that they feel that recreation, real estate, second homes and tourism is in fact as big as the computer industry growth of the 50's and 60's. People are making more money; are taking longer vacations; are sick and tired of pollution, people and traffic; they like to get out of town and go someplace. The latest ecology, the clean air, the peace and quiet; I think this is the theme of the 70's. That is why we believe we are in the right business.

Now what does Montana have to offer that makes people come here? Why should they come here; or why should they develop an industry in Montana?

I think number one; we have a lot of space. You have approximately five people per square mile, as compared to Washington D. C. with 12,000. So I think we can absorb a few without feeling elbow-to-elbow.

Second, we have a lot of beauty - particularly in the area where we are, and in the Gallatin Canyon. Third, you have scenery and a kind of western appeal. I think today all over the world the western type of person, and the type of terrain, and type of area, is very attractive. In Norway they used to like cowboys and they still do.

---

<sup>1</sup> President, Big Sky of Montana Inc., Gallatin Gateway.



When I go to Europe on meetings I always wear a cowboy hat and everybody thinks I am Tom Mix. But I'm not, I'm just a young fellow that's got a helluva big job and I'm way over my head. That is the only way you can really learn something.

Fourth, there is good fishing in Montana - tremendous fishing, and good hunting. The Madison is one of the best in the U. S., and there are still a lot of fish in there, contrary to some beliefs. I fished it once, and I didn't catch a thing; so I didn't ruin any fishing. I have found that today many sportsmen are very willing to throw a fish back; I find that on many private properties. I have talked to farmers and ranchers who let people come in on the basis that they throw it back; and they do. It is just the fun of catching and fighting them.

Fifth, we have wonderful country to ride in. You have two national parks and eleven or twelve national forests, and they have something like 400 campgrounds. You have, I think, nine wilderness and primitive areas in Montana, and oodles of state parks, county parks, and areas of interest. (I think that it was just mentioned that one third of Montana is publicly-federally-owned.)

Sixth, there are a lot of nice interesting historic places which people are interested in seeing. I think Custer was here. About 30,000 Indians live on seven reservations in Montana. People are interested in the Indian culture and crafts.

Seventh, we have good snow in Montana for skiing and snowmobiling but some people say it is too cold. Then again, it's got to be cold to keep the snow from melting. The trouble is some of the places where the weather bureau records information. They publicize Cut Bank or some place where it is 40 or 50 below, and people think it is that way everywhere.

They used to have the problem in Jackson Hole before I came up here. They registered about 68 degrees below zero a hundred years ago at West Yellowstone. They keep blowing that up so people think it is cold. You have all these new clothing materials, light weight, and you can feel very comfortable at 10-20 degrees below zero, and enjoy it.

Snowmobiling is a tremendous activity, in addition to skiing. People spend a lot of money on snowmobiles and equipment, plus room and board, and booze, and all the stuff that goes with it. In fact I think Montana should push the winter activities and make fun out of winter; don't sit inside and keep putting wood on the fire to keep warm. Just go out in it and enjoy it. If you don't, you know there are a lot of problems you can end up with.

Eighth, Montana also has pretty fair transportation, considering the remoteness. It's too far north to be a southern state. The transportation facilities in the recreation industry are extremely important. People are so spoiled nowadays that I think transportation accounts for the most important part of creating a tourist and recreational industry in the state.

Take, for example, Colorado. They must have 32 or 33 major ski areas, and they are bumper to bumper every weekend. People are standing in line for half an hour to get up the lift. And, the reason for their success is that you can fly to Denver from anywhere in the U. S. non-stop; any time of the day or night. You work like a dog in the office, like most of us, and you get off at 4:30 or 5:00 on Friday. You can catch a plane as soon as you can get out, and arrive in Denver in a very short time from any place. Then you don't mind driving four or five hours to Aspen, over two passes, fighting your way on snow and ice. The important fact is that you can get there some time that night. You hit the sack for two or three hours and still are on the slopes the next morning. So, from the transportation standpoint I think we are quite fortunate.

Northwest and Western both have jet service, and so does Frontier. We are on east-west (Northwest) and north-south (Frontier and Western) routes. It is very important that we plug into the key market areas.

We have some 188 airports in Montana; more than any other state that is adjacent to us, that we are competing with for the tourist business. I am talking about Colorado, Wyoming, Idaho, and Utah. One hundred and nine of Montana's airports are public, and 36 of those are paved and lighted; so we are not really short of landing places, if they just get flying. You have scheduled airlines, and many private airlines and charter airlines.

In recreation we find that some of the finest business we can create is by charter aircraft. You put a bunch of wild club members on a charter flight in New York, Seattle, Chicago, or L.A. There are 150 of them, and they whoop it up coming up, and whoop it up going home. They don't care if they have to land 60 miles away and wait for 2 or 3 hours. They are together; they are having fun. It's not much like ma and pa arriving at the railroad station the day that the bus doesn't run to the ski area. This is the one we worry about. So charter business is important, and we do have jet airports.

We have railway service in Montana. The Burlington Northern happens to be the largest total track railroad in the U. S. They criss-cross the whole state. They have a tremendous network connecting Chicago, St. Louis, Denver, Minneapolis, St. Paul, Portland, Seattle, which are very important, particularly in the winter markets for



Montana. You also have the Chicago-Milwaukee-St. Paul east-west routing.

As far as highways go, the total streets-highways mileage in Montana in 1968 is listed as being more than either Idaho, Wyoming, New Mexico or Utah, and slightly less than Colorado, which again are competitive states. So you do have access. You have one of the lowest vehicle per mile rates in relationship to streets and highways. I think it's six. So you aren't very crowded.

There are other pluses. You have good school systems and I think the reason is that more and more people, such as teachers, are sick and tired of fighting all the bussing, and all the troubles, and pollution, and like to go to an area where kids can be raised in the fresh air and have a little time to go out and sit by the river and try to catch a fish. Therefore, you attract a lot of good educators.

Further you have two large universities who are very active in environmental research. We are very close to Montana State University in Bozeman. We are working with them on environmental research. We are also working with them on the possibility of vocational education which we should try to provide. We want to work with them on music and art. There are possibilities in architecture, business and many things that we can profit from, and they can profit from us.

Believe me there are many challenges and problems. I have run into so many different things that you can't imagine in trying to do something; you know you try to be nice to people but they don't like it.

How do we develop the industry of tourism and recreation? First, the state has to develop a climate within which this industry can grow.

We should probably improve on the careful management of Parks and forests, related to its use. There is no question that a project like Big Sky will put a demand on those facilities by attracting more people to the area, but I think that can be carefully programmed and controlled by proper use of the trails, etc., that goes into these areas so that people can enjoy them and use them.

One thing you have to do is make it easy for people to move around; improve roads, improve accesses. Provide for circular traffic, good signs, good maps. Don't make it a secret as to where your nice places are. Help the people find them. They are here to look at them, so don't hide them. This is a responsibility, and helps to avoid congestion and confusion.

Enabling legislation should be enacted to provide for county wide planning and zoning. We find ourselves up the Canyon in a slugging



fest. You are damned if you do and damned if you don't. People are hungry and they want the dollar. They will sell their land for \$10,000 an acre any day. They don't care what goes on. These are tragic things, and unfortunately the sort of thing a development like Big Sky causes. Big Sky itself, I assure you, will be planned, controlled zoning beyond anything you have in the state. We will have the best in architecture, the best in architectural control.

We are spending \$1 million on sewer facilities, using an aerated lagoon system. We will be pumping back up and watering the golf course to stop any phosphate or other chemicals from reaching the river. We feel we will have the most modern sewer facilities in Montana.

It's kind of amusing, Montana State University is presently doing a National Science Foundation funded study of Big Sky. They are studying the ecological and economic impact on water, birds - whatever it is. This is not meant as derogatory. They found a lot of stuff in the creek, West Fork, and I said well, gosh, I'm sorry; there are only two or three guys living up there. It turns out that there was an unacceptable something in the water, and there were a lot of cattle up there. We are going to remove the cattle but we will have people; and we will have a sewer system which will eliminate the undesirable things. I can't imagine what will be left after we water the golf course with it.

We are taking the utmost caution with water resources, fish and game, and talk to every possible state agency that could be concerned about what we are doing, to make sure we are meeting at least the minimum, if not the maximum, requirements of what they would like us to do.

Planning and zoning, it's a real problem. Big Sky has donated \$15,000 to any agency (and it happens now to be the one sponsoring this show, Perry Roy's group) to go in and make an effort to plan, and hopefully zone, the Gallatin Canyon. This is outside of our own land. Even though 80% of the land along the river, between the entrance to the Gallatin National Forest and Yellowstone Park, is controlled by the Forest Service, it is the other 20% we have to worry about. Now everybody is hurrying to do things up there before they get zoned, so you guys in the legislature have got to get busy.

Another thing Montana must do to help the recreation industry is change its liquor laws. I don't care whether you drink or not. The fact is that if we are going to be in the tourist and recreation business we have to provide what people like to do, in addition to the facilities. These people who are out for a week whoop it up, and they want a place to have a drink. Now the current Montana laws, as I understand them, as far as liquor licenses are concerned are based

on population. Well, the population of Big Sky is about four. We will have a tough time getting a license up there based on population. We will have an awful lot of people we are expected to serve, hundreds of thousands. These are things with which we're faced. We also happen to be in two counties which doesn't help us any because a license in one county is no good in another county. I am being flooded with license offerings in Gallatin County but we need some in the other county.

Wyoming helped that by developing resort licenses which were attached to a specific building, a specific bar for example. An additional requirement was that they had to have a substantial investment in the bar, like \$100,000 or \$200,000, before they were allowed the resort license.

This legislature has to take a serious look to make it possible for other areas like ours to operate. We hope that we are sort of a pilot program for recreation, so that other people can follow behind us with a little more assurance of being able to operate.

I think the state should develop some type of single clearing house where new developments can go to cover things like highways, health, water, transportation, fish and game, planning, forestry, pollution, and sewers. There are many agencies that are concerned, and so are we. They all have a job to do, and so do we. One guy doesn't know what the other guy is doing. There is duplication of effort. Again I think this is something the state should seriously consider.

We should develop information on the impact and consequences of an industry like Big Sky. The National Science Foundation Study is being done by the University group headed by Charles Bradley. They are studying Big Sky and its impact. They are going in before us. They are going to watch it as we grow, and see how we affect whatever it is; the economics, the living, the people, the ecology, the fish, the game, the whole thing. What did it bring with it? What problems do we create? This way you can use these as sales tools in the future to tell people what did happen - was it good or bad.

I don't know whether we are glad we are first or not. Maybe we will have so many problems we will quit and go somewhere else. But anyway we are here, we are committed - kind of.

You have to improve your airport facilities, although you have them. For quite a few places in Montana a serious problem is to get better landing equipment - ILS, etc. Also needed is better baggage handling equipment so people don't have to stand around with their bags.



The second thing along this line, in addition to creating a climate in which this type of industry can operate; I think the State should speed up its advertising campaign. I have been working in other states and Montana is lagging behind in selling what they have to sell. They spent a large sum of money on the study you heard about today. I am sure they spent a lot more money on that than they spend in selling the state, trying to get people to come to the state, and to attract industry. I am talking about magazine advertising, fairs, brochures, films, maps, and other promotional activities.

Wyoming did an interesting thing. They had a wild game dinner in various major metropolitan cities. They had deer, bear, antelope, buffalo, moose, etc. - a wild game dinner. It didn't taste very good, I guess, but people liked it.

Naturally people who are in the business like Big Sky hope to cooperate with other people in the same business in the state in a cooperative advertising effort; go out together. Our main concern is to get people to Montana to use our facilities because if you get enough of them here they will mingle around and everyone will get their share just by osmosis.

As far as Big Sky itself, I think the fact we have Chet Huntley with us is a very important asset for Montana. He was born and raised here, and is coming back to help you out - and I hope you appreciate it. I know some people don't.

You can't imagine the exposure Big Sky, and Montana itself, is getting in every conceivable type of magazine; skiing, golf, tennis, financial, cattle, camping, or whatever it is; they want to write about Big Sky of Montana. We are right now holding them back because we really don't have anything to sell yet. But the free editorial space that is available to us is unbelievable; it is in the millions of dollars. Today, I don't think there are many people who either read or look at TV that don't know Big Sky of Montana is a new development. They call it the Huntley deal or something, but at least they are hearing about it. Believe me, you are getting a lot of publicity in Montana as a result of what we are trying to put together.

I think we should keep in mind the convention business. I think the convention business is fantastic. One company alone holds 23 conventions a year. The possible business, and size of business, involving conventions is fantastic. We hope to develop part of our deal for convention business for summer, spring, fall. This again will help the commercial operations which will be located at our area, and everyone in Montana. As they drive to and from home, they will stop and spend some money, so whether they stop at our place or somewhere else, they will stop and go through your place. Because there are not enough airports to bring everybody in here, they will be driving by your place or staying in your hotel.



I think the success of a private recreation enterprise is very bright; I have to disagree with the economic people. The fact is that with the increasing use of parks, Forest Service areas, campgrounds, the funds available are just not adequate to meet the growing demand. The need for private capital and private land will continue for a long time to come.

We are not concerned about competition. We hope that more resorts of the year round type will come into Montana because that will enlarge the market that we have. By doing so you will attract better transportation, just like another Denver. You will improve the transportation in your communities, and I am talking about full year round recreation facilities where you offer what they want. We have plenty of competition from many other places.

I think we should push the winter visitors, destination resort type, because they spend an average of seven days in a place, and they spend a lot more money than in the summer. Compare this with Yellowstone Park where they spend less than two days in summer time; in Glacier I think it is close to three days. The winter people stop and stick around, and spend their money, and then they go home and take all their problems with them.

The reason for year round resorts being pushed in Montana is because it balances the economy; you have year round employment. Each job in a project like Big Sky is supposed to create from two to six jobs in new and expanded service industries. In addition they create construction jobs while it is being built, plus both permanent and seasonal jobs. The permanent jobs will be higher paying than the seasonal jobs, but the students need jobs, too, and this will kind of fill in the gap. It may drop your average income a little bit, but it will supply work for a lot of people who need it.

There are seven Indian reservations in Montana, and 50% of the families are poverty level. I don't say Big Sky will solve all the problems. We are discussing the possibility, and hope we can have Indians trained - I don't know how many - so that they can be in our project - not as exhibits - but as a direct representation of what Montana really is. You have a lot of Indians in Montana; we would very much like to have the Indians working in our project.

To date we have received over 1,000 applications for employment at Big Sky from people who are very unhappy where they are; they are unhappy at what they are doing, sick and tired of bumper to bumper, they are looking for fresh air, and they are willing to come here to work for less to be able to live in this environment. There is going to be a lot of talent from people who have applied to us. These are from people who make up to \$100,000 a year, down to the guy who doesn't have a job, and probably will never have one.

Keep in mind that development costs in Montana are very high because you have a short construction season, especially in the high mountain areas. You have to borrow money, your money is tied up longer, the interest rate is a real problem - lots of rocks - high risk capital is involved and very hard to find; but we were successful.

A third thing; I think Montana should encourage a master plan development. I am talking about a complete master plan. Big Sky does have such a master plan. You may be interested to know that we have spent as much money buying timber rights as we have buying land, to keep the trees from being logged. I know you must have trees to build houses, and keep your fire going, and all this stuff, but we are in the business of creating a resort. One where you can walk through the woods and enjoy green space, so we have bought the timber rights. Now the environmental, economic, and social effects of Big Sky is a big question which is being studied; as is the architecture control, the protective covenants, the density, the clean-up.

I talked about horrible logging practices. I am sure some of you here are in the logging business. We got there too late to save one section, and it is the biggest disgrace I have ever seen in my life, as far as leaving a total mess. It is just terrible. But what are we going to do? We are going to clean it up. We will reseed it and make a beautiful meadow. We are not going to rape the whole mountain, cut all the trees; we are not going to pollute the river, catch all the fish; in fact, we are hoping to make something that is a real asset to Montana.

An orderly growth is obviously necessary in this business, because otherwise you will have chaos in transportation and services. You can't build 15 Big Skys in Montana the same year, because it will never go, so it has to be an orderly growth.

To summarize; (1) Recreation and tourism is a good and wholesome industry, (2) it provides fun and relaxation for people and (3) it can be developed in harmony with the environment. We can take advantage of Montana's natural resources.

It provides an export for Montana since it will bring funds in from out of state in the form of land purchases, and condominiums being purchased. As of this date we have over 300 people who have applied to us for purchasing condominiums from all over the country. We have some 60 checks from people who don't know what they are buying, when they are buying it, what it will look like, or what it will cost. Our biggest support is from Wolf Point; I said that because I know the mayor of Wolf Point is here.



Further cash flow will be provided because tourists will come here, spend some time, and leave their cash here. They're going to take all of their problems with them, including their kids. It won't be a load on our school system. They will just come here and have fun, and then go home.

The public services will have very limited use, and again I am talking about pushing the winter and balancing the economy. In the winter they go up and ski, make some tracks in the snow, and when the snow melts the tracks are gone. You can't even tell they have been here. That is the type of industry we can sell. It fits Montana. Furthermore, it creates jobs in construction, as well as permanent and part time jobs.

It slows down the migration we have been talking about today. At the same time we take care of the people already here. Lets take care of the people here first. We are trying to create jobs for people in Montana.

Another asset is that it is adding to the tax base of the county. Through construction of homes, condominiums, and functional facilities - golf course, convention center, hotels, ski lifts. This again adds a smaller load in proportion to the school system, for example, because many of these homes and condominiums won't be used half the time. Maybe only 50, 60, 70 or 80% of the time, so you have the tax base without the people.

Now with Big Sky as an example, I estimate that if everybody builds on their lot, with the condominiums and all the value we are going to put into our complex, you are looking at \$100-200 million. Now that is a nice tax base without getting the full taxation on facilities and services by the non-constant use of the facilities. And that is using no more than 25% of the land we own, leaving 75% green space the way it is today without the density problems of other areas. Hopefully we can follow this plan; economically at this moment it looks like we can.

A further asset, or result, is it improves access to better and more frequent transportation from major cities. That is what tourism and recreation will do for you. Through exposure of Montana for recreation and tourism, side benefits will accrue. Other businesses will be exposed to Montana for possible relocation or expansion. People will vacation here, like it, and move the business out here. If you can attract the right kind of business you get this for nothing, because they will come anyway.

My final point is that if Montana cannot sell the recreation and tourism industry, I think you will have a tough time selling anything.



## THE INDIAN'S ROLE IN MONTANA'S DEVELOPMENT

by Dr. Barney Old Coyote<sup>1</sup>

It is a real privilege for me to be here today as this distinguished representation of Montana communities considers and discusses a strategy for Montana in the 1970's. It is a particular privilege because I happen to be a member of the Indian community, and Indians have been in the background of Montana since statehood. There are 7 Indian reservations and something like 30,000 Indians in this state, all of whom are anxious to see an upturn in their fortunes, their economy, and their way of life in this decade.

As I listened to the discussion on the somewhat despairing economic study of Montana by the University of Montana--where it is indicated that the general economic indices of employment, income, and new buildings are all on a downward trend--one thought occurred to me. If those curves continue to go down, and if those same indices for Montana Indian reservations continue to go up, as they have been doing, then somewhere off the page, somewhere in the future, the Montana economy and the reservation Indian economy will meet. Things will then be equal in Montana for Indians, rather than having the Indian economy lag behind the rest of the state as it has since statehood.

I say this for several reasons, but first let me talk about this in terms of what we have been hearing lately. We hear about Alcatraz and the demonstrations, protests and take-overs by so-called militant Indians in the name of "red-power". We in Montana do not see much of this, although we have a significant Indian population; and although we have many of the same cases of deprivation and underdevelopment of Indian communities that seem to fuel these demonstrations and protests.

Whenever there is an Alcatraz, or a protest, or a demonstration of that nature, it seems there is always a particular justification. That justification goes something like this. There is a recitation of Indian history, Indian situations, and statistics about Indians, all leading to the rationale that this justifies the protest or demonstration.

Let me go back to a particular point here. Indians in this country have had a relationship with the whites ever since Plymouth Rock. Those early relationships were not with the U. S. federal government, but began with the Crown of England, as there was no USA until the Revolution and the Continental Congress.

---

<sup>1</sup> Coordinator of Indian Studies, Montana State University, Bozeman.

It was only since the beginning of the United States Government that there has been a federal government relationship with the American Indian. Federal Indian reservations were established, through treaty, legislation, and some by executive order of the President; all giving rise to a unique relationship with Indians who belonged to Indian tribes living on these federally-established reservations.

This relationship did not extend to those Indians who do not live on such reservations, hence a situation where we have reservation and non-reservation Indians. So it is that when we hear Indian history, Indian situations, and Indian statistics recited to justify demonstrations and protests, it is the history of the reservation Indians; the reservation Indian situations and reservation Indian statistics on low income, poor housing, high unemployment and general reservation deprivation--and these are used to justify what is being done. This is because there are no precise data on the entire Indian situation in this country. When this happens, it seems to me that there is one element missing. If we are going to use reservation histories, situations, and statistics in these movements, then the thinking of reservation Indians should be used also.

#### Montana Indian Leaders

Montana Indian communities have leaders. They are not appointed, they are not self-proclaimed, but they are elected by the reservation populations that they represent. There is also an organization of these Montana Indian leaders, called the Montana Indian Inter-tribal Policy Board; I am disappointed to note that they are not represented here. These leaders are interested in the same things that you are talking about here. They are interested in human and resource development. They would like to see an upturn in reservation economies; but more importantly, they are interested in seeing these seven Montana Indian reservations develop as part of the Montana economy--not as the political, social, and economic islands they have become since statehood.

What we are hearing here about the Montana economy can also be said for the reservations, because they are microcosms of the Montana situation. What can be said about low income, unemployment; housing; and industrial, economic, and recreation development, can be said for the Montana Indian reservations. In fact, the Montana Indian communities have been saying the very things that are being explored here, and the Indian leaders are seeking solutions to the same problems that are concerning you.



### Needs of Montana Indian Communities

We can talk about poor housing, high unemployment, under-development and all the things under discussion here--and these would essentially be the same for Indian communities, including the discussions on forest products, agriculture, water, and even mining. There is one thing that is unique about Indian reservations in any consideration, however. Generally speaking, this is the non-availability of conventional financing and capital funding for reservation development. This is related to the unique trust status of the reservation Indian lands, which makes it nearly impossible to gain financing to take advantage of opportunity and compete in the open market.

Another pressing need is in the area of top-level management. This is true of all Montana communities, but it is even more acute on Indian reservations; because what has been said for the out-migration of Montana talent can be doubled for Indian communities. There is a deadly "brain-drain" from Montana Indian reservations.

So it is that we can categorize two important Indian needs; financing (capital) and management to make systematic and orderly development of Montana Indian reservations possible. To do this, Indian communities must not only work in partnership with local, state and federal resources, but they must now commit themselves to work with the broad general Montana community. They are willing to do this and they are ready.

### Summary

Montana Indian needs can be equated with the broad needs of the state. There are Montana Indian leaders who are capable and see the same problems as you do; they are seeking the same solutions as this conference is seeking. These leaders represent the reservation or grass-roots people, suggesting that it is not always the loudest voices of protest that represent Indian thinking. You should work with the elected Indian leadership. They have a uniqueness because of the federal relationship stemming from the land, but this extends to the lack of financing and lack of capable management.

The rest of Montana can help the Indian in this respect--and the Indian can help his Montana neighbor. Until we do this, a strategy for Montana in the 1970's will not be complete. When we do include the Indian, you will find the Indian leadership anxious and capable. They are ready to help develop a strategy for the 70's that includes all Montana communities.





## THE NATIONAL AND REGIONAL FRAMEWORK FOR PLANNING





## LAND USE PLANNING IN THE 70's

by Ted Schwinden<sup>1</sup>

The framework for planning in the 70's, or any other decade, must be public related. No agency, state or federal, can plan for the future without recognizing the need for public cooperation and direction. Planners - agencies - recognize this obvious need, but not always do they act accordingly.

They must consider some fundamental changes occurring in the value system in America. For example, few would question the deterioration of the "trust" relationship in recent years, particularly as regards public vs government. I would mention Vietnam and the credibility gap, and law enforcement "pigs" as confirmation. The re-establishment, or the strengthening, of the trust relationship is integral to the development of long-range planning.

A second characteristics of today's society is the deplorable tendency to tolerate, if not to sanctify, mediocrity. The acceptance, however grudging, of "planned obsolescence", of deceptive advertising, of shoddy service, and meaningless warranties, is ample testimony to this facet of America - 1970. The "do your best" admonition that most of us heard repeatedly as children has somehow been replaced by "do as well as you can". Pride in uniqueness has too often been displaced by a vanity of accomplishment - however small.

I am suggesting that planning for the 70's can be accomplished only with public participation and trust; and that attaining the possible should never obviate the need to achieve the optimum. Planning efforts must never serve to nullify, or vitiate, the initiative of the individual citizen; rather, planning must reflect the imagination of the public and be a response to the highest aspiration of our people.

The 341 pages of the Public Land Law Review Commission report summarize more than 40 volumes of reports and six years of study (costing \$7 million), all directed to answering the question, "how shall the public interest best be served by the public domain"?

---

<sup>1</sup> Commissioner, Department of State Lands and Investments, Helena.

Public land has a recognized impact on Montana and its future. Twenty seven and one-half million acres, 30% of Montana, is public domain, and another 10% is held in trust on Indian reservations or state-owned for support of public education.

I can only sketch in brief outline the salient philosophy that I draw from the report. Most encouraging is the consistent recommendation throughout that Congress, a representative body, should play a more positive role in public land policy. Administrative agencies have less sensitivity to public pressures than do elected officials. The report emphasizes the desperate need for clear and consistent policy guidelines, for criteria to be considered in land use decisions. Moreover, the report strongly supports public participation throughout the decision making process.

A specific note; the PLLRC calls for the encouragement of regional commissions as invaluable tools for land use planning. Montana, at the instigation of Governor Anderson and with the cooperation of neighboring states, has become a part of the Missouri River Basin Commission. This Commission should be, in the future, a most effective tool.

Earlier this month, at Reno, Nevada, I spent two days listening to a forum discuss the PLLRC report. There was a feeling of uncertainty among those assembled, and it focused on the fundamental approach the Commission chose to follow. The report dissects the total public land resource into the "commodities" it represents; timber, forage, recreation, water, and the like.

While value in classic economic terms is determined by measuring sacrifice against satisfaction, typically, value in our society is quantitatively measured in terms of dollars.

The PLLRC report rather candidly recognizes that while "multiple-use" has been the management goal on the public domain, in fact, most public land has a primary use. The PLLRC would acknowledge this reality and in a real sense substitutes a "dominant use" concept for "multiple-use". The fear, or perhaps concern is a better choice of words, of many is that determination of dominant use under our traditional value system may require too much reliance on dollars, and too little reliance on satisfaction of societal needs which are not measurable monetarily.

Persistent throughout the PLLRC report is a recognition of the environmental impact of land use decisions. As many of you know, legislation will be introduced in Montana in 1971 modeled on Public Law 91-190, The National Environmental Policy Act. The Governor's Council has reviewed this proposal and recommends its approval. This legislation, if enacted, would declare that state policy is to encourage a protective and enjoyable harmony between man and his environment.

An advisory commission, hopefully attached to the office of the Governor, would "watchdog" activities and programs, as to environmental effects, and report regularly to the Governor and the Legislature.

Passage of a Montana Environmental Policy Act would be a positive forward step, but unless it is accompanied by legislatively defined standards, it lacks operational meaning. The establishment of such standards for agency use will require difficult, and sometimes unpopular, decisions. In other words, the process of defining best resource use must inevitably come down to "hard-nose" decisions where AUM's of forage must be measured against strippable tons of coal - or wildlife habitat - or the esthetic value of a Montana landscape.

For some 13 months a subcommittee of the Council on Natural Resources has been wrestling with just such a problem. In 1969, Governor Anderson directed the Council to develop reclamation standards for surface coal mine operators, standards that would permit utilization of Montana's rich eastern Montana reserves; standards that would be applicable to all operators, and on a regional basis; standards that would insure restoration to a beneficial use after mining. On December 15, our committee will submit a proposed reclamation contract to the Council. The final product represents a diversity of views and, in my view, is stronger because of it.

Americans have a tendency to reduce the gravest of national problems to simplistic terms. Our - or my - generation has been conditioned to the difficult choice between "guns or butter" through a succession of wars, and cold wars, and non wars.

In the crucial issue of land use planning in the 70's there are those who would have us believe that our choice is limited to "life and death", and they point to dead lakes, choked cities, poisoned wildlife, sterile landscapes, and exhausted resources as ample evidence for their case. On the other hand, some say that our choice is one between prosperity or stagnation; and they cite the existence of poverty, lack of employment opportunity, and need for improving standard of living as persuasive elements to their argument.

I submit that we have no choice, but we do have an obligation - a destiny if you like - spiritual, moral, political, to encourage progress while insuring that man's dominion over God's handiworks is not a misplaced trust.





## THE FEDERAL GOVERNMENT'S ROLE IN RURAL AREAS DEVELOPMENT

by Dr. Lloyd Davis<sup>1</sup>

My assignment in this program is to talk with you a few minutes about the Federal government's role in rural areas development, and to provide more detailed information on the USDA role.

First, I would like to sketch just a little historical perspective. Throughout the national history there have been national growth policies of one kind or another. For example, there were the Louisiana and Gadsden purchases illustrating a policy of expansion. There were programs of canal construction and turnpike building in the first half of the 19th century, blending into the Homestead Act and cession of public lands to the railroads which were opening the interior to development--illustrating a policy of improvement and development. These were growth, or rural development policies promoted by the Federal government, using its resources to stimulate the private sector on goals for which there was a large degree of national accord.

The USDA developed a major role in rural development at an early date. Its research and extension programs for many decades have been important factors in the development of a very efficient and effective agricultural production, processing and marketing system. The USDA helped develop rural roads, rural electric systems, and systems to serve credit needs to rural America.

In the mid fifties the Eisenhower Administration, with USDA leadership, placed new emphasis on rural development--to improve the quality of life and job opportunities in rural America and the associated towns and small cities. An important objective was to provide opportunities for the people released from farming by the rapid mechanization of agriculture.

The Kennedy and Johnson Administrations gave added emphasis to rural development under the leadership of Secretary of Agriculture Freeman. In the meantime the American people became increasingly aware of the great concentration of people in a few large metropolitan areas and the many problems associated with this concentration. There has developed a new interest in national policies to guide our nation's growth.

---

<sup>1</sup> Director, Science and Education Staff, Office of the Secretary, U. S. Department of Agriculture, Washington, D. C.

President Nixon has given a new emphasis to the development of national growth policies and programs. In his 1970 State of the Union Message, President Nixon said: "We must create a new rural environment that will not only stem the migration to urban centers but reverse it . . . Our purpose will be to find those means by which Federal, State and local governments can influence the course of urban settlement and growth so as positively to affect the quality of American life. In the future, decisions as to where to build highways, locate airports, acquire land or sell land should be made with a clear objective of aiding a balanced growth."

At an earlier time President Nixon said: "We are a nation of cities, to be sure, but we also are a nation of small towns and villages, farms and forests, mines and ranches, mountains and rivers and lakes. The people who live in rural America have urgent problems which deserve our attention. More importantly, they represent a great resource upon which all of us can draw."

"After an era in which people have moved steadily from the countryside to large and crowded cities, we must now do what we can to encourage a more even distribution of population throughout our country . . ."

The President has recognized that to achieve this objective requires consistent policies and programs among the several Federal departments, and coordinated action among them. To provide top level attention to this objective he formed a Rural Affairs Council in his cabinet. At a later date he adjusted his organization and created a cabinet group called the Domestic Council, with a committee on National Growth Policy. The responsibilities of the Rural Affairs Council were incorporated into this new structure.

The Domestic Council Committee on National Growth Policy has been busy. Its work has led to increased cooperation between agencies in administering programs that are closely related and has increased government-wide emphasis on rural development. For example, the USDA, HUD and EDA are coordinating their assistance to state and local planning under a memorandum; HUD and USDA are coordinating their housing programs to make sure that all communities have adequate financing for housing.

The Council committee has been deeply involved in reviewing national policies and programs that affect our nation's growth and the location of that growth. It is developing policy and program proposals for submission to the President--proposals to help achieve the objective the President expressed in the State of the Union Message. The council is giving attention to policies in several fields as they relate to a national growth policy. These fields are:



enhancing state capacity to plan for balanced growth, incentives to industry, federal procurement and location of facilities, and higher education.

This process is government-wide. It clearly has the strong support of the President. Out of it is likely to come a clearer national policy and a higher degree of coordinated government-wide support for the idea we have known as Rural Development.

Now I would like to discuss briefly the role of the Department of Agriculture in Rural Development. Each part of the Department has a unique role and unique contributions to make. Among the Federal agencies only the USDA has a staff in virtually every county in the land--a system designed to give local people on-the-spot assistance. Secretary Hardin enunciated the philosophy that underlies our work when he said, "Most details of the development process should be left to local determination. The approach of the Department is to assist people to help themselves. For those activities in which the Department has expertise and responsibility, it will provide direct services to communities and individuals. For activities beyond the Department's purview, the Department can serve as a communicator and catalyst. However, development is the primary responsibility of the local people. They provide the means through which the services of governmental agencies and professional personnel can be of assistance. The extent to which people are helped in improving rural living conditions will depend largely on the quality of educational and technical assistance and other services provided by local professional personnel."

I'll mention very briefly the work of the USDA as it relates to local rural development programs.

You are acquainted with the work of the forest service in managing the national forests, a very important factor in the economy and future development of your state. The forest service also provides assistance to private woodland owners and has competencies to assist in the development of forest based industries.

The Soil Conservation Service has programs, and technical assistance, to help in developing and conserving soil and water resources. It also administers RC&D projects - local development programs.

Farmers Home Administration has low interest loans available to finance farmers, rural housing, community water and sewer systems, and recreational facilities.

The Agricultural Conservation Programs administered by ASCS can help finance soil and water development, and conservation practices.

The Rural Electrification Administration, working through Rural Electric Coops, helps provide needed services, and provides technical assistance in developing new industries.

The research agencies and cooperating state agricultural experiment stations conduct research needed to help local development efforts proceed on a basis of sound scientific analysis.

The Extension Service, a program of your Land Grant University in which the USDA is a partner, has responsibility for educational programs to assist and support state and local development. We see their role and special competency as using a variety of educational techniques to provide information, facts, and principles to help local people evaluate development opportunities, make plans, and take the action they decide is best.

In these and other programs of the USDA, we are of course concerned with the development of agriculture--our farms; ranches; supply, processing and distribution businesses--but more than that, it is our goal to use the competencies and services as needed by local people to help in the total rural development job. Of course, this is only a partial listing of the programs of USDA agencies useful to local groups in their planning and development. To similarly list for all departments of the Federal government all of the programs that can help in local planning and development, would take all afternoon.

Secretary Hardin has strongly stressed to all USDA personnel the need to closely coordinate their services at the local level--and in doing so, to support state and local agencies in their work. To help achieve this in each state the USDA people have formed state and local or area USDA Rural Development Committees, through which assistance to local development efforts can be coordinated. The Secretary has asked these committees to take the initiative in maintaining close working relationships with other federal agencies, and with agencies of State government concerned with development. These USDA staffs can help you learn about programs of other agencies and get in touch with their representatives. In your state Torlief Aasheim, Director of the Extension Service, is the elected chairman of this USDA committee.

We believe teamwork among federal agencies, providing support to state and local groups in carrying out their development programs, is essential for real progress. We hope we can always demonstrate our desire for such teamwork.

In closing, I would like to say that I have been involved with the USDA rural development efforts for many years. Never before has national growth policy had the kind of support it now receives from President Nixon. Never have I seen this degree of coordinated government wide participation. Out of this support and the work of the Domestic Council I feel sure will develop new support for you as you develop strategies for the 70's.



## INSTITUTIONAL CHANGE AND THE PLANNING FRAMEWORK

by Dr. William T. Van Orman<sup>1</sup>

In convening this conference on Strategy for the Seventies, you are laying a strong foundation of Federal-State communication for developing an effective planning framework. If, indeed, an effective strategy is to be developed, a cornerstone of a partnership of Federal, state, and local government is prerequisite. Planning and institutional changes in the Seventies demand such cooperation for setting priorities. We at the Federal level are presently involved in a reorganization which puts strong emphasis on State and local resources.

President Nixon has committed his administration to a program of institutional changes on the Federal level. Two major components of this New Federalism include the decentralization of the authority in Federal agencies, and the streamlining and simplification of the Federal bureaucracy. The third major component is a natural outgrowth of the first two; the creation of a new sense of partnership among the various levels of government with greater dependence on State and local government.

If the New Federalism is to be meaningful, the Federal government cannot proceed unilaterally. The success of this program is dependent upon the ability to increase the capacity of general purpose government on the state and local levels. Your participation in this conference demonstrates your awareness of the need for such intergovernmental cooperation in the Seventies.

As I look at your state and some of the changes that are taking place, I would like to commend the quality of leadership that I have seen during the past 10 years, and that I see at the present time. I was impressed with the foresight of the Governor and the people of Montana in organizing this conference. In reading your newspapers, I am impressed by all the great activity going on in this State. The Governor's announcement of the development of the citizens' advisory committee on state goals and objectives is one of the most significant things that I have heard at this conference.

I think that the State of Montana, at least in our Region, is one of the first states, and certainly Governor Anderson is one of first Governors, to have been concerned about developing priorities

---

<sup>1</sup> Regional Director, U.S. Department of Health, Education, and Welfare, Denver.



and priority systems concerning broad-based involvement of citizens. The pronouncements of the Governor in the last few days are landmark-type decisions for the State. In my estimation, they are consistent with some of the structural changes which we see taking place in the Federal system.

I would like to discuss structural changes in the Federal system. I would like to ask about structural changes in the State system. In enunciating the policy of the New Federalism, President Nixon consistently addresses himself to the cooperative nature--the inextricable relationship--between Federal and state government at Federal, state, and local levels of government. The Federal government, of course, has been one of the favorite whipping boys to, I imagine, most of the people in this room; and in many areas, these kinds of criticism were entirely justified.

In keeping with reorganization in all levels of government, the announcement in last night's paper on regionalization certainly is of a significant nature. Regionalization is an inherent necessity in the rural states of the West at the present. The State of Montana has played a leadership role in this area, and I believe this is due to the kinds of directions that you are getting from your very fine State Planning Office.

As I look at Eastern Montana, I see a 17- or 18-county area comprising 49,000 square miles, which makes it larger in geographical size than the State of New York and 25 other states in this Union. It is populated with, according to the last census, 87,000 people, and I couldn't help but think of the kinds of premium that the people of Montana are paying for government.

I looked at the 56 counties you have, and inquired about how these counties came into existence. When my father was in Montana, in 1908, I would guess that there were far fewer counties and I was surprised because I thought they had long and historic significance. Someone was telling me about a man named Dan McKay who was a county maker and responsible for the counties coming into existence. In much of your state, I understand, this happened as recently as the 1920's.

Then I look at our State of Colorado and the number of counties we have, and recognize that some of those counties have only 285 people. I think, can we afford the luxury of this form of government in these States of the West?

When I moved to Colorado we had 1,600 school districts. Today we have 185. I would guess that in the great State of Montana, you are probably still operating on the level of 700 to 800 local school districts. And again I ask you the question; can you afford the luxury

in terms of a viable governmental system with this kind of organization?

These are some of the issues we should be addressing ourselves to as we look at structural changes in state government; as we look at new ways of conducting the business of government; and as we look at the costs of government. These are questions that I am sure are not very popular; not questions to ask in any state, particularly as an invited guest.

But I have a great investment in my natal State of South Dakota. All these states have been going through this agonizing kind of re-appraisal--reappraisal in terms of what is the most effective form of government; and what is the cost of government; and can we afford these luxuries of dealing with systems that may or may not be viable in today's world?

Your lieutenant Governor last night was paraphrasing what I remember reading in the Jefferson Memorial in Washington. On the great marble tablet was a statement that Jefferson made, as I recall, back in 1816. As the Lieutenant Governor was talking about the need to accept change, I couldn't help but think that was what Thomas Jefferson said, and it is applicable to our discussions today. Jefferson said: "Laws and institutions must go hand-in-hand with the progress of the human mind. As that becomes more developed, more enlightened, as new discoveries are made, new truths disclosed, and manners and opinions change with the change of circumstances, institutions must advance also, and keep pace with the times."

That is what I see this Conference is all about. That is what I see this economic report is all about. That is what I see the Governor's calling for a Citizen's committee on Goals and Objectives is all about. That is what I see regionalization is all about. That is what I see executive reorganization is all about. That is what I see the constitutional convention is all about. That is what I see that this legislative proposal on planning, which is in your packet, is all about. That is what I see your state planning office is all about.

It is keeping pace with the change of changing times. As Lieutenant Governor Judge was talking about change last night and as we talk about change, I am concerned with the quality and the fragile nature of one of the important essences of change. That is the human attitude; and as I looked out at the group of leaders from this great state, I speculated about the ability of you people to accept the broad responsibility which you have to effect the kinds of changes which are needed in this state, to bring it into full fruition in terms of the aspirations of all your people.



The other thing I thought about as I listened was the out-migration of some of the best people you have and I wondered about whether the state would be receptive to the idea of a tax shelter for college graduates. I gather from the conversations, and I believe, that this is a tragic loss to the state to lose the finest of your young people--the trained people. You know, we give lots of tax shelters for many things. Why not have a tax incentive? Why not have a system of state scholarships that would be a contract between the best students and the state? Under this agreement, the state would provide tuition to enable a boy or girl to go to school, and they would agree to serve the state in some productive capacity for one, two, or three years. It seems to me there are many mechanisms that are still available that have not been tried.

I have nothing against county government. I think county government certainly plays an important role today, but the county in which I grew up was based on the time it took you to drive a team of horses to the county center. That county is still organized on that basis, and we still have some horses; but I don't see many people driving them to the county center. I would like you to think about the viability of the forms of government you have in this state, and the kinds of changes that are needed.

The Federal government certainly is not a classic example of effective government. Our previous speaker talked about the proliferation and availability of planning resources. He said it would take him all afternoon to read the list of planning monies that are available through the Federal government.

With the Nixon administration, we are seeing some changes in the structure, and in the ways in which the Federal government operates. We have been talking about regionalization at the Federal level for the past 30 years, and last March President Nixon announced the creation of 10 regional offices for the 5 major people-serving agencies of the government. This was one of the basic and fundamental structural changes in the Federal system because for the first time, people working at the state and local level had a common region with which they could identify.

Part of the regionalization was the identification of a regional headquarters, which in this Region is Denver. Our Federal region comprises the States of North Dakota, South Dakota, Montana, Wyoming, Utah, and Colorado. This is the Federal region for HEW, for OEO, Department of Labor, for the Department of Housing and Urban Development, and for the Department of Transportation.

One of the requirements for being included in this Federal Regional Council was that you had coterminous regions, and that you had a single person in that Regional Office that represented the Secretary. This is



one of the reasons why we don't have several important agencies of the government included on our Council in this Region. The Department of Interior is organized primarily on river basins, and these do not comfortably fit into any state boundary organization. The Department of Agriculture does not have a regionalized operation to the same degree that these other five agencies do. We have been negotiating with the Department of Agriculture because of its prime importance to the states of the West, to see if they could not designate a representative from the Office of the Secretary to sit with our Regional Council and assist us with our work with the states in this Region.

We have seen many other regional activities that, except when you get down within the state, seem like rather threatening and oppressive types of operations. Mr. Dave Hartley here represents the Federation of Rocky Mountain States. This is part of a regional effort of the Governors to address themselves to problems that went far beyond the boundaries of any individual state. Mr. George McCarthy has been working with the Upper Missouri River Basin Commission, and again this is a five-state regional approach to problems. You are all familiar with the Western Inter-State Commission on Higher Education. This is another regional approach addressing itself to dealing with the problems of people.

We are currently involved with the development of the Glasgow Center for Training and Development. This, again, is a regional approach. The facility happens to be located in Eastern Montana, but the money we have been investing there for planning purposes is to develop a facility that will serve a five-state region, addressing itself primarily to the training and human development needs of Indians and the rural poor. This is a regional approach which I think is going to be characteristic of government of the future.

Your speaker at the yesterday noon luncheon talked about the need to extend cooperative arrangements beyond state boundaries. I think that government of the future will be addressing itself to these types of organizations, and these types of compacts, and these types of sharing problems and opportunities.

The designation of the Regional Council was the preparatory stage to a much more significant move on the part of the Federal structure, and that was toward decentralization. We have all seen, and I am sure you have all complained about, the centralization of authority in the Federal government. Our chairman alluded to the article by John Fisher, pointing out that the regional concept in terms of a Federal system or a national system is certainly not new. I don't think that at the present time the Federal establishment is ready to go quite as far as the Romans did because of the nature of the bureaucracy and the

basis of power. But President Nixon's orders were quite explicit regarding decentralization; and in achieving decentralization, I think there is a flow of benefits to many people on the state and local level.

Although we don't have the level of coordination that we aspire to in terms of making all the Federal establishments a coordinated and cohesive whole, this is a monumental job.

We are making some very minor but very important approaches to working directly with the state agencies of government, and with the state governments. In the state of Utah, we are working with the legislature; and this is one of the first times that the Federal government has dealt with state legislators. We are working with the legislative leadership in that state to develop a comprehensive social service delivery system on a multi-county basis. We are trying to tie together all the programs of HUD, OEO, Labor, and HEW to enable these counties to be equipped and to receive, on a much more orderly basis, the Federal services.

We are certainly highly supportive of the efforts of all the states in developing effective state planning divisions; and I would like to commend the State of Montana on the degree to which they have gone in developing a planning division that is effective, and which is staffed with highly competent people--a planning division that hopefully will assist this state in the resolution of many of its problems. We have worked with them on the Glasgow effort; we are working with them now on the problem of antiballistic missile system and the kinds of problems that a Federal presence impinges on localities. Certainly Shelby and Conrad, and that whole area, is a hot impact area, and one in which the Federal presence should be coordinated. We believe it should be coordinated through the State.

A number of the other reasons I see for the need for a strong state government, as well as a strong planning and coordinating capacity at the state level, are some of the trends that are taking place in Federal legislation. The decentralization, the regionalization, brings us much closer to the State. The decentralization of authority gives the Council, and the members of the Council, authority to commit funds far in advance of what we have ever had. With the attempts for multi-department funding, we are hoping that we can simplify the Federal system so that we can put HUD, OEO, and HEW money together to achieve a certain purpose in conjunction with the state. This is one of the directions in which the Federal system is going--this whole simplification of the mechanisms of the Federal system.



We have a proposal in the amendments to the Social Security Act, Title 20, in which the Governor of each state would have authority to transfer up to 20% of HEW funds from one program to a program of higher priority. I suspect that almost all the states are ill-equipped to rationalize decisions of this nature. I can imagine the kinds of political problems that your great Governor would have if he were to try to transfer 20% of HEW funds from health to education, or from rehabilitation to mental retardation; because I would suspect that in Montana, as in most states, there is not sufficient data available so the governor or the legislature could rationalize this kind of decision based on need-potential impact. Ultimately this kind of authority will be coming to the state level. Ultimately the governor, and the legislature, and you people here, will have to develop a system that will enable you to make a rational decision in relation to the allocation of resources.

This is a sort of precursor to the concept of revenue sharing which I see as also being down the road, and is a fundamental change in the Federal system that gives more authority and opportunity to the states. But the states have to be ready. I suspect that most states are not, unless they are moving ahead on the same basis you are in this state at regionalizing, sub-districting, and developing strong planning capacities to identify the kinds of priorities, and the kinds of objectives, and the kind of aspirations, as well as the needs that the people have in this state.

We are running out of time here, but in closing I would like to quote from one of the President's last statements on cooperation. This is entitled, "A Call for Cooperation," and was submitted to the Congress of the United States. The President, I think, has made some statements that are certainly consistent with many of the things that have been said at this conference. He says: "Our present problems in large degree arise from a failure to anticipate the consequences of our past successes. It is the fundamental thrust of technological change to change society as well. The fundamental task of government in the era now past was somehow to keep abreast of such change, and respond to it. The task of government in the future will be to anticipate change: to prevent it where clearly nothing is to be gained, to prepare for it when on balance the effects are desired; and above all, to build into the technology an increasing degree of understanding of its impact on human society. What is true of technology is equally true of government. It must become more self-aware, self-examining, and self-correcting. There are amends to make, and promises to keep, that will engage our energies for the years to come. But most of all, there is a great adventure to be lived."





FEDERATION OF ROCKY MOUNTAIN STATES  
1970 REGIONAL PLANNING PROGRAM

by David K. Hartley<sup>1</sup>

The Rocky Mountain Region is one of America's major geographic and economic provinces, and therefore is worthy of considerable attention as a contributant to the national well-being.

With one-sixth of the nation's area but only three percent of its population, the West is being examined as to its capacity for absorbing more growth -- the last frontier. The 1970 Census shows that the area generally is growing much more slowly than the rest of the country. There's still plenty of open space and breathing room. However, this also is a region of fragile environment. Aridity, topography, wide climatic variations and great distances mean that the region just cannot absorb an unlimited amount of growth, nor will the market economy in all likelihood initiate such growth. What does occur must be done well and it must be in the right place. "Carrying capacity" and "allowable cut" are needed for urban areas as well as farm land.

#### Two Views of the West

The national dialogue between "development" and "conservation" is especially emotional, given the head-on confrontation between two traditional views of the role of the West in the national economy and the national environment.

On the one hand, the West is viewed as a national recreation and natural resource preserve. Much of the land in the Western states is held by the federal and state governments in parks, grazing lands, forests and wilderness areas. A larger proportion of the labor force is federal workers in the West than in other parts of the country. Many consider that large parts of the West should be held in perpetuity as a protection against despoilation of the country as a whole, and that the true role of mountain areas in all parts of the world is as a headwaters preservation area that should be kept inviolate for future generations.

---

<sup>1</sup> Director, Regional Studies, Federation of Rocky Mountain States, Denver.

On the other hand, most of the region's business and political community maintain that the West is traditionally an area of rich soils, minerals and forests--resources to be developed if not exploited. In this view, the West needs new investment and the strategy should be more incentives for processing raw materials so as to provide the job base for residents. Incomes are lower in this part of the country than elsewhere, and this is reflected in higher per-family public service costs. Jobs must be generated to provide the base to sustain and expand the region's economy.

### Regional Identity

A region as large as the Rocky Mountains of course has a good deal of diversity. Indeed, being a capital-short area traditionally dependent on an agricultural and mining economy, many parts of the region are closely tied with centers outside the region. Western Montana and Northern Idaho are related to Spokane and the Pacific Northwest, Eastern Montana and Wyoming have close ties with the Dakotas and Twin Cities; Eastern Colorado has much in common with Kansas, Missouri and Oklahoma; and Southeastern New Mexico is closely tied with Texas.

These external pulls reflect the east-west growth of the country. However, at its core, several fundamental conditions bind the Rocky Mountain Region together and provide the basis for regional identity and common action.

Land is heavily owned by the federal government and this gives a commonality to the whole region in terms of the impact of federal management decisions. The recent report of the Public Land Law Review Commission bears special utility to these six states.

Most of the region is based essentially on the cattle economy with its great diversity and extensive use of land. The cattle economy philosophy dominates much of the region's political traditions.

In communications, the six states provide a bridge--much of the freight and passenger traffic flows across the region connecting the more populated Midwest and West Coast areas. The six states are united in desiring more north-south links.

In physiography, much of the region consists of mountains and desert (Montana is the only state not having large arid desert). Indeed, the spine of the Rocky Mountains is the most important feature uniting the whole region.

In population, all states but one have exhibited a net out-migration the past several decades. This is because the rural-urban migration is



just being completed in this region, and most parts are relatively isolated from the mainstream of American commerce and thus have yet to "take off."

In terms of aridity, all parts of the region share a dependence on wise development and allocation of the limited supply of water. Of course water is important to all human civilization, but in the West it means special considerations because of its relative scarcity and seasonal variation, and the limitations that this places on human development.

Finally, the West is bound together by a regional literature or myth which is an important part of the American ethos. The Wild West is still within the memory of many residents and still affects much of the regional thinking.

#### The Federation of Rocky Mountain States

In order to help articulate regional identity and provide a forum for common action, the Governors of six states in the West (Colorado, Idaho, Montana, New Mexico, Utah and Wyoming)<sup>1</sup> and leading businessmen got together in 1966 to organize the Federation of Rocky Mountain States, which is the only public/private organization devoted to proper development of a major geographic province of this country. Its base-line budget is supported equally by the business community and by contributions from each state government. In addition, the Federation has received federal grants for studies in planning, arts and humanities, educational television, and export promotion reflecting its role as both a subnational and an interstate effort.

Planning--that is, articulating a strategy for proper growth of the West and then developing means for implementing the strategy--was among the earliest concerns of the founders of the Federation. There is a feeling in the six states that it is important to anticipate future problems so as to avoid crises, to find methods of bringing science and technology into present policy decisions, and to coordinate and project the implications of current decisions. Then the citizens of the region, acting through their governments and business operations, have a chance to design a future that is in harmony with the basic environment of the region; and also to keep the region a quality place to live consistent with national goals.

---

<sup>1</sup> Arizona and Nevada, in many ways part of the Rocky Mountain Region, were original members of the Federation but later dropped out.

## 1970 Studies

During 1970 the six states, working through the Federation and with the aid of a grant from the federal government, have been conducting some studies in three areas deemed of primary importance to the Region's well being: transportation, new communities and housing.

In the first Background Paper, Dwight Blood and his associates at the University of Wyoming make the first complete inventory of the regional transportation network and estimate its utilization in moving people and goods within a regional economic framework. They find a need for more north-south transportation links and for coordination at the executive level of state government of planning, construction, operation, maintenance and regulation of the four primary modes (highways, air, rails and mass transit).

The new communities team (Victoria Gow, James Bowers, Nick Jannakos and S. J. Brasher) finds most of the region's growth probably occurring as an expansion of current urban areas (implying a strategy of better organization of the metropolitan fringe) -- but attention also must be paid to specific locations in the mountains and near water recreation and mineral development, so as to help develop "new communities" that will benefit the region in the long run. Decisions by federal land management and water resource agencies are especially important to the West, and better coordination between federal and state planning is mandated. Substate, multi-county planning districts are also important to help developers and local government officials turn run-of-the-mill subdivisions into new communities. State development strategies outlining the where and how of future development, and programming state investments (transportation, recreation and education) in accord with the strategies are found to be especially important and specific legislative and administrative changes are recommended in each state.

Harold Knott and Howard Kahn, after surveying the regional needs, find that housing must be given higher priority if all citizens are to have decent housing, and that special attention must be given to ways state government can aid the private sector in building more housing that can be afforded by families of low- and moderate-incomes.

It is obvious that transportation, new communities, and housing are interconnected. The regional transportation structure -- interstate highways, airline routes, pipe lines, railroad lines -- sets the framework within which cities operate and in which people conduct their commerce and communications. Transportation, of course, is very heavily related to regional factors, and national considerations play an important role in the determination of transportation modes and investments.



Similarly, the transportation pattern follows urban development because it is through movement of goods and people that transportation investment is justified. Therefore, the growth patterns of the region determine to a large degree the present and future transportation patterns. State governments have a good deal to say about the nature of urban growth and state laws, grants, services and policies determine the framework within which local communities operate.

Housing is dependent upon transportation and urban growth. New subdivisions are laid out largely in response to transportation patterns, but new highways, also, in the long run, tend to follow the spread of housing and urban development.

"New community" is not a foreign term in the West. The relative youth of the West means that every town has residents who can remember the early days. Very few towns are older than 120 years, that is going back to the first mining days after the Civil War (New Mexico, of course, is the exception with some communities going back as far as 300 years.) Western towns were built originally for economic or idealistic reasons and were peopled by migrants from the East. Transportation played a most important role in stimulating growth of towns, opening up the region for development of its agricultural and mining resources. A recent stimulus, of course, has come from defense installations and tourism but the whole idea of planned communities and new towns is not a new one, and a "new communities" strategy is perfectly proper in the West.

### Implementation Strategy

The most important element of the Planning Program is the strategy for implementation of recommendations and findings. Planning means nothing if it is not tied directly to investment and management and, therefore, the recommendations must be feasible and capable of realization within a reasonable length of time so as to affect decisions in the near future. Implementation strategy and action were built into the work program for the 1970 Regional Planning Program from the beginning. The Regional Planning Council, consisting of legislative and planning aides to the six state Governors, has developed the following guidelines.

### Orientation to State Government

The Federation of Rocky Mountain States is an organization of the six state governments and the leading businesses in the region. Thus, the Regional Planning Program is oriented to implementation through state governments. It is designed to help states meet their responsibilities as the key level in our governmental system. This will be



accomplished through policy, legislation and administrative arrangements.

The six state legislatures play a most important role in this process. Legislatures set state policy and also establish the framework within which local governments and the business community operate. The 1970 Regional Planning Program is aiming to get some consistency in the programs that Governors submit to the 1971 Legislative Sessions with regard to solving some of the problems in selected areas. Recommendations are being tailored to the needs of each individual state. The Planning Program is being discussed with legislative leaders both regionally and in each state. In a sense, it is adapting legislation developed nationally to this part of the country and to each state. The national legislation has been developed with full participation by representatives of Western states through such organizations as the National Legislative Conference, National Governors' Conference and Advisory Commission on Intergovernmental Relations.

The second focus of Regional Planning Program recommendations concerns administrative arrangements to help the Governor's office plan, coordinate and manage state government. As the elected chief executive, the Governor has responsibility for carrying out the legislative mandates and for managing state affairs within the fiscal and legal framework provided by the legislature. Each Governor needs a strong state planning staff to instigate and coordinate functional planning among state agencies and to develop a state development strategy, with priorities both in time and geographical distribution, for state investments. Increasingly, the federal government is viewing the state as the primary level for implementation of national goals through distribution of federal aids. Most federal aids now have some sort of state planning requirement. Thus, a most important function of the Governors' office, working through its state planning staff capability, is to harmonize federal aids to state agencies and local governments. The Regional Planning Program is recommending specific implementation of transportation, urban development and housing programs through administrative arrangements at the state level.

Of course, each state has a different political and constitutional tradition, and, therefore, administrative arrangements will vary from state to state. But the basic idea of providing a vehicle by which the states in the Rocky Mountain Region can perform their responsibilities within a coordinated framework is the guiding spirit behind the Regional Planning Program.

A third focus is suggesting ways the six states working together can provide more efficient services and exert more influence than they can by working individually. This means regional institutions, initiated by the six states, to solve problems that cut across state lines but are still subnational in scope. Many of them probably can be programmed

through existing vehicles for interstate cooperation, such as the Western Interstate Commission for Higher Education and the Four Corners Regional Commission, but the Federation plays the dominant role.

#### Broad Review of Background Papers

The six Governors and the Regional Planning Council assigned top priority to three areas in this first phase of the Planning Program--transportation, new communities (and urban development strategy) and housing. With the aid of a federal grant, the Federation has organized these studies into three Background Papers and a Final Report. The Background Papers are being distributed widely, both nationally and in each state, so as to achieve a variety of comments from groups that have something to say about these subjects. The comments by these groups will then be harmonized into a final draft, which will be approved by the Regional Planning Council, so that harmony and unanimity will be achieved in the recommendations of the Planning Program.

#### Three-level Implementation Strategy

At its meeting on July 13, 1970, the Regional Planning Council agreed in broad terms to a three-phase implementation strategy in the areas of transportation, new communities and housing.

The first phase is what might be termed the minimum level of attainment for all six states which can reasonably be expected to be attained by the end of the 1971 Legislative Sessions. These relate to administrative arrangements and institutions for studying the problem being identified by the Regional Planning Program in a consistent and coordinated manner.

The second level consists of programs and responsibilities which the Regional Planning Council feels can be reached in the next few years. Each state should now begin studying them and be making recommendations about their implementation. They are all administrative or legal devices which have been adopted in one or more of the states in the Rocky Mountain area or elsewhere in the country.

One result, hopefully, will be creation of a state housing agency with real powers to meet identified needs, no matter how each of the states decided to organize it.

#### B. A commission to study substate planning and government legislation.

Two of the six states have such commissions in existence. Montana has a Legislative Council Subcommittee on Local Government working in collaboration with the Montana Citizens' Advisory Committee on Planning



Legislation and the State Department of Planning and Economic Development. Colorado has an interim legislative Committee on Local Government, as well as legislatively-created State Land Use and Environmental Commissions to recommend new legislation.

In all the states, local planning legislation has arisen haphazardly and this is reflected in the inefficient and chaotic growth on the fringes of our Western cities. The Regional Planning Council is convinced the better organization of the urban fringe--where the great majority of growth will occur in the next decades--can be accomplished best after a thorough look at all state legislation affecting local government, with an eye to significant changes in many areas.

Prestigious national private groups, such as the Committee for Economic Development and the National Municipal League, have advocated study and revision of local planning laws by the legislatures.

#### C. Transportation planning at the executive level.

There is need for a coordinated transportation planning capability in an executive unit close to the Governor, a need that is being increasingly recognized by both federal and state officials.

The strategy for National Transportation Planning being implemented by the U. S. Department of Transportation depends primarily on inter-modal planning at the state level, and coordination of transportation priorities, funding, and construction through Governors' capital budgets. While it is true that there probably will continue to be at least five separate means of financing transportation modes--highway trust fund, airports, mass transit, waterways and railroads--the planning for use of these funds will increasingly devolve upon Governors' Offices.

In addition, the National Governors' Conference, at its August 1970 meeting, adopted a resolution supporting the idea that Governors hold the primary position in transportation planning. They also recommended that each Governor have the ability "to transfer, upon a limited basis, funds among the various federal transportation trust funds and grant programs to meet his own State's priority transportation needs," provided that each state should be guaranteed that its proportionate share of funds under each trust fund will not be reduced" and that the Federal Government not be permitted to divert any trust funds.

So the success of National Transportation Planning, and of providing the proper state dimension, falls strongly upon state government and its capability for doing the needed planning. The U. S. Department of Transportation has recognized the need for such planning and is thinking of ways to help finance it, as planning for highways, airports, waterways and mass transit is currently aided separately.



The states in the Rocky Mountain Region have recognized transportation needs as well. Colorado, Utah and New Mexico have begun inter-modal planning studies through the Four Corners Regional Commission, and others have contemplated transportation studies through their state planning process. In addition, the fact that transportation was selected for priority study in the Federation's Planning Program is a significant recognition of the states' collective responsibility for transportation.

It is most important that each of the Rocky Mountain Governors set up a capability for handling transportation planning vis-a-vis other kinds of functional planning, such as economic development, housing, recreation, and law enforcement. The usual vehicle is a staff planning agency in the Governors' office. In the Western states, given the predominance of highway, rail, and airport facilities, the Governor's coordinator probably will work primarily through a coordinating committee consisting of top officials of the state highway, airport and regulatory agencies, meeting with staffs of substate planning bodies (councils of government, city-county planning boards, metropolitan coordinating councils, etc.). It would be unfortunate if the Federal government required a transportation planning mechanism apart from the Governor's staff capability. It is thus important that states take the lead in setting up structures which fit with their own traditions.

A very important consideration is that of terminals, or interconnections between modes. Feeder highways, airports, mass transit lines, and truck and parking facilities must be interconnected so as to give a comprehensive transportation system for the movement of passengers and goods. This can be handled only at the regional level coordinated through state government.

D. An identifiable state office for local affairs.

This can be organized either as a branch of the state planning office or as a separate state department or office of community affairs.

This function is increasingly being recognized across the country; each of the six Rocky Mountain States now has a nucleus of such a function, but they are not tied together into any common set of duties and responsibilities, as they are in some other parts of the country. Increasing urbanization, spilling across city and county lines, and the problems which it imposes on communities and states, has affected the nature of relationships within the federal system. Ninety percent of federal aids pass through state government, and federal and state aids constitute over half the budgets of most local agencies. In its 1956 report on The States and The Metropolitan Problem, the Council of State Governments recommended creation of an entity in each state government to "aid in determining the present and changing needs of metropolitan and non-metropolitan areas of the state." A State Department of Community Affairs presents an opportunity to bring together present and

new state functions which have as their principal objective state efforts to aid localities. Communities are given a direct spokesman in the executive branch, and a focus for policy development and execution at the state level is provided. The Governor is given an opportunity to make arrangements for coordinating federal and state programs and continuously to study and evaluate the needs of communities within the state.

By the end of 1969, 25 states had agencies responsible for these activities. In the Rocky Mountain Region, Colorado and Utah are the only states with separately organized Offices of Local Affairs, but in Colorado local planning assistance is programmed through a separate State Office of Planning. In the other four states, one or more functions are accomplished by individuals or staff located mainly within the State Planning Agency.

The Regional Planning Council has recommended that by the end of 1971 all six states have the functions and services identified by the National Governors' Conference assigned to one or more state agencies. Most of them should be coordinated by a single agency which might be termed something like "state office for local affairs."

#### Second-Level Implementation - Next Several Years (1971-1975)

These are programs and goals which the Regional Planning Council feels can and should be reached in every state in the next five years or so. They are specific pieces of legislation and different administrative arrangements designed to work toward better transportation, urban development and housing programs in the six states. Each has been adopted in one or more states in the region, and in addition they have been studied and recommended by such national organizations as the Council of State Governments and the Advisory Commission on Intergovernmental Relations, both of which had strong representation from the Western state legislators and gubernatorial staffs. Draft legislation is contained in CSG's 1971 Suggested State Legislation and ACIR's 1971 Cumulative State Legislative Program, which are readily available to state officials. A brief listing of those to be considered in the six Rocky Mountain States includes:

1. Enabling legislation for substate multi-county planning and development organizations.
2. Enabling legislation for planned unit development.
3. Mandatory dedication of park and school sites in all plats.
4. Creation of special highway interchange planning districts.
5. Simplified annexation legislation.
6. County performance of urban functions.
7. Enabling legislation for quasi-public new community districts.



8. Adoption of model building and housing codes by reference.
9. Procedures for consolidation of local housing authorities.
10. State housing finance agency.
11. State standards for location of low-income housing.
12. State certification of factory-built housing.
13. Site location of commercial developments.
14. State-federal relations staffing.
15. Property tax survey commission.
16. Conditional property tax deferment for new community development.
17. Supervision of special districts.
18. State assistance for interlocal cooperation.
19. Loans to industry to promote urban growth policies.
20. State model building code and establishment of statewide building construction standards.
21. State assistance to local governments for building inspection.
22. Uniform relocation assistance.
23. State aid for mass transportation.
24. Legislative jurisdiction over federal lands within the states.
25. Securing and preserving open space.
26. Urban water supply and sewage systems.

These are all legislative or administrative arrangements which probably will arise out of the studies of the Regional Planning Program and the state study commissions created in 1971. It is most important that arrangements be made by which these problems can be discussed fully so that the proper kinds of administrative mechanisms are set up in each state.

### Third-Level Implementation - 1975 and After

The Regional Planning Council realizes that many parts of the Rocky Mountain Region are changing quickly, and that the states must be ready to lead the change into desirable patterns. Rapid land subdivision in mountain resort areas--without proper surveillance or control--is already producing a considerable amount of blight and diseconomy. The few metropolitan areas will probably continue to absorb most of the new population growth--and this will result in more urban sprawl and pollution (water, air and land) if the growth is not channeled into planned unit developments, satellite communities and other forms of "new communities." The 1970 Census shows smaller communities with an existing infrastructure and a desirable way of life lost population, while big cities grew faster than they could handle it. This will continue until each state adopts a deliberate program of balanced growth.

These are all problems faced by more urbanized states on the East and West Coasts, and they are just now developing mechanisms to cope with them and prevent further deterioration. Will the Front Range in Colorado, and the Wasatch Front in Utah, be Los Angeles-type megalopolises



in 20 years? Will the Colorado, Montana, Idaho, Utah, New Mexico and Wyoming mountains be like the area around Lake Tahoe? Only by studying ways other states have found to encourage growth in the right places and discourage it elsewhere--and by adapting them to our traditions--can this part of the country avoid the mess the rest of the country is in.

The exact form of the devices listed below are not necessarily those which will emerge to meet Rocky Mountain problems, nor do they necessarily follow from enactment of recommendations in the other two levels of accomplishment. However, the Regional Planning Council has decided that Governors' offices and legislative committees might be studying the problems and possible alternative solutions. They include:

A. Statewide land use coordination.

Only at the state level--the level covering all the land in the United States--can there be coordination to assure effective use of that most precious and irreplaceable of all our resources--our land. As the country grows more dense with all the associated problems, there is growing realization of the need for a National Land Use Policy, or as it is variously called; national community development, national population growth and distribution, new communities development, or national economic development policy.

The U. S. Senate Interior Committee is conducting hearings on a National Land Use Policy Act (S. 3354) which would give technical and financial incentives for preparation and implementation of "statewide comprehensive land use plans." The House Subcommittee on Urban Growth has recommended legislation giving further incentives to state land use planning. States of course have primary and residual powers under our federal governmental structure, and thus the effectuation of any national effort must of necessity be through effective state action, such as programming state investments like highways in conformance with state development strategies. Hawaii has taken the lead with state land use planning, but most states are easing into some sort of coordinative vehicle. Governor Love proposed a bill for state land use controls and the 1970 Colorado Legislature created a State Land Use Commission to "develop and submit to the Governor and the General Assembly, recommendations for adopting a land use map based upon land use classifications" by December 1, 1970.

States in our region should be ready to handle land use coordination. As more pressure is put on mountain and resort areas, on public lands, and in areas of fragile environmental values, it will be more necessary to have one centralized organization at the state level to monitor the use of land and direct its use into desirable patterns.

## B. State urban or land development agency.

Land development agencies created by the states and empowered to undertake large-scale urban and new community land purchase, assembly, and improvement, offer a promising means of implementing state and local urban growth policies. Specifically, such agencies could: (1) acquire land by negotiation and through the exercise of eminent domain; (2) arrange for site development and construct or contract for the construction of utilities, streets, and other related improvements; (3) hold land for later use; (4) sell, lease, or otherwise dispose of land or rights thereto to private developers or public agencies; and (5) establish local or regional land development agencies.

Particular care should be taken in drafting state legislation authorizing the exercise of eminent domain powers by land development agencies. Such legislation should include a clear and definite finding by the legislature that the acquisition of land for future development is needed to assure the best use for public purposes of an important natural resource. Courts increasingly defer to legislative findings of public purpose. The existence of a formally adopted state urbanization policy identifying certain patterns of development as being in the public interest would substantially buttress such a finding.

Most legislation drafts are based on the 1968 act that established the New York State Urban Development Corporation. They have been studied and recommended by many national groups, including the Public Land Law Review Commission, Advisory Commission on Intergovernmental relations, Council of State Governments and the National Commission on Urban Problems.

## C. State Department of Transportation.

Thirteen states have created cabinet-level departments of transportation by reorganizing existing unconnected, and often competing, agencies into a single unit responsible for overall planning and administration of all transportation programs. More are being created each year as problems of intermodal coordination become more acute, especially in highly urban states.

While highways are the predominant present form of public transportation investment in the Rocky Mountain Region, it may be necessary in the future to set up a new cabinet-level department harmonizing all modes, and pulling together the planning, construction, management and operation of those functions for which the state has responsibility.



#### D. State management and production of housing for low-income families.

Conservative states like North Carolina and Kentucky have created housing development corporations to underwrite production and distribution of low- and moderate-income housing. Only at the state level can economies of scale be reached in housing production; and only the state can cut across municipal boundaries with placement of housing for all incomes in proximity to jobs and healthy environment, which in some cases--evidence is showing--might mean overriding restrictive and unconstitutional local codes and ordinances. As our urban areas grow more complex, greater state responsibility in housing will be mandated--as is already being demonstrated in other parts of the country.

#### Regional Institutions - Interstate Cooperation

Many of the problems articulated by the Regional Planning Program cut across state lines and will require regional solutions. The Project staff has developed some preliminary recommendations:

1. More frequent meetings and better staffing for the Federation's Transportation Council and its functional committees. This would include better staffing for specific projects, and for systematic study of such regional problems as subsidies for short-haul air service and the effect of transportation projects on environment. The three southern states meet quite frequently under the aegis of the Four Corners Regional Commission; the three northern states need a similar vehicle.

2. A Rocky Mountain Regional New Communities Center needs to be established to provide information and expertise to developers, state and local agencies, and financing institutions. The Public Land Law Review Commission recommended an experimental new community on public lands; this should be located in the Rocky Mountain West and should be guided by a regional institution.

3. Interstate cooperation in certification of factory-built housing would considerably enhance housing production. Two or more states would jointly develop minimum performance criteria, and then would agree that units approved in any state (usually at factory site) would be certified in other states as well.

4. A Rocky Mountain Migrant Service, jointly funded by the states and the federal government, would be able to coordinate assistance to migrants in a consistent manner all across the region.

The specific recommendations in the three-level implementation strategy have arisen from the planning studies themselves; from the expertise of the staff; from an analysis of conditions in each state;



from suggestions or need expressed by the Regional Planning Council, Governors and other officials in each state; and from national groups which are concerned with transportation, new communities and housing. The implementation strategy has provided direction for the planning studies, because a minimum level of attainment for all six states has been articulated, and the success or failure of enactment of these measures constitute performance criteria for the Regional Planning Program.

The Federation and the Regional Planning Council hope the enactment of these recommendations will make the Rocky Mountain area a leader among all regions of the country and will work toward retaining quality of life in this beautiful part of the nation in the face of significant future development problems.

### Quality Growth

That much of the West will grow is a certainty, but where and how is a subject in which Westerners are quite interested. They want to be ready for it and to merge it into a "New Communities" strategy so as to preserve the quality way of life that makes living there so pleasant now. This job of proper development demands new institutions and these the West appears willing to adopt, but cooperation is needed from outside investors--the Federal government and big corporations that determine details of specific investments. And these investments in the aggregate constitute the difference between good and poor quality.

In this respect, a statement by a Montana historian, K. Ross Toole, writing in the Winter/Spring 1969 issue of Montana Business Quarterly, might be in order:

"Over and over again, from the early days of settlement to recent years, Montana's businessmen, ranchers and farmers have cursed distance and space.

How very odd that what has so long been our curse, now bids fair to be our greatest blessing! How very ironic and bitter it would be if we failed to understand that simple fact and turn the blessing back into a curse.

I am less interested in the changing winds of Montana than I am in the winds of America that are blowing across the face of Montana. For America has run out of space; it is fast running out of pure water, pure air; it is running out of distances, wilderness, trees; it is running out of places where the sky comes down the same distance all around;

it is running out of lakes, fish and game; it is running out of beauty. America has fouled its own nest--nearly all of it . . . ."

The six Rocky Mountain States are cooperating in these problems. Solutions will occur through specific administrative and legislative actions taken in each state, but hopefully in a coordinated fashion suited to the unique characteristics and potentials of the Rocky Mountain West.

FEDERAL PROGRAMS FOR MONTANA'S NEEDS: THE MISSOURI  
RIVER ECONOMIC DEVELOPMENT COMMISSION

by George D. McCarthy<sup>1</sup>

My job as Federal-State Coordinator might be called the lobbyist for the State of Montana and its people. Many of the projects we have been working on at the state level have involved difficult problems.

Glasgow Air Force Base, where there was in excess of \$100 million invested by the federal government, we are now trying to turn to a peaceful use. There have been many ideas for Glasgow. How many of them are going to be successful we don't know yet.

In addition we have been working with the Congressional Delegation on new and precedent-setting legislation for the ABM Impact Area.

I might say that Dr. Van Orman and many other officials are getting tired of seeing my face around Washington; trying to get programs and money for the State of Montana, though I am doing what the Governor has assigned to me.

One project we are working on now requires assistance from the Senate Foreign Relations Committee. This program will officially be announced later. Its purpose is to develop a common market; a common market between the states of Montana and North Dakota, and the provinces of Saskatchewan and Alberta. The objective of this project is do away with duty and sales taxes on products that move from the two states into the provinces of Canada and from Alberta and Saskatchewan into these two states. Many difficult problems are yet to be solved.

One of the restrictions will necessarily be on products which are produced in the states and shipped to Canada to be consumed; and products produced in the Provinces, and shipped to Montana and North Dakota. There cannot be trans-shipment of goods and products out of a state or Province on a wholesale basis.

We are talking about economic development; talking about something that can improve the economic activity of these landlocked states and provinces. Many of the things we are talking about can

---

<sup>1</sup>Federal-State Coordinator, Office of the Governor, Helena.



be done by executive action, and then there are some things which will require legislative action. We look forward in the hope that these ideas will provide a new economic base for both Montana and North Dakota.

We have in the states of Montana and North Dakota very influential members of the United States Senate: Senator Mansfield, the Majority Leader; Senator Metcalf; Senator Young, the ranking minority member on the Appropriations Committee; and Senator Burdick.

I am giving you this as a little sidelight in advance of what I am going to speak about particularly this morning; the Missouri River Economic Development Commission and its potentialities for this area. An economic development concept for this region has met with continuing frustration. However, there are a few war horses, some old and some recent recruits, who have refused to give up the idea of somehow stimulating economic and social progress in the Upper Missouri Basin. The potential for economic growth is still here and includes the new recreational resources, and scientific advances such as MHD, the magnetohydrodynamic method of producing electrical energy. These are yet to be exploited.

Now MHD did move a little; it got \$600,000 for research this year. That was \$200,000 more than the president had requested, but still a pittance that will leave us years behind Russia's 75 megawatt station, which is about ready, or is already on the line.

I might say that in the Tennessee Valley they have developed recreation potential, both old and new. Realigned with agriculture, the area has attracted hundreds of new industries. It has also provided navigation channels and the healthiest railroad system in the nation. The Upper Missouri Basin has yet to exploit fully, systematically, even the potentialities which the Pick-Sloan Dams have created.

Tourists by the millions pour into the Tennessee Valley to enjoy the great Smoky Mountains National Park and TVA lakes every year. It is a tremendous industry involving hundreds of millions in income to the area. The Smokies outdraw Yellowstone and Glacier National Parks.

Livestock agriculture is expanding. New industries dot the valley. It is an area on the move. Per capita income continues to expand beyond the national average.

Our parks and lakes attract tourists, certainly, but not all that they might. The big Middle Missouri Recreational Plan is designed to make the great lakes of the Missouri; the historic sites; the grasslands; the badlands; the Indian reservations; scenic areas throughout

the region, including the Black Hills; Theodore Roosevelt National Park; Yellowstone; Glacier; Big Horn Canyon; and the Grand Tetons, into a vast national recreation complex. This is a proposal that has been on the drawing board for some four to five years now, intending to get hearings in the 91st Congress.

Five or six years ago when Appalachia Regional Commission legislation was before Congress, it was amended to authorize Upper Great Plains and Upper Great Lakes Regional Economic Development Commissions. At the President's request the amendment to the Appalachia bill was withheld and the Title V written into the Public Works and Economic Development Acts of 1965. It authorized regional development commissions in areas of high unemployment, high out-migration, and retarded economic growth. With the cooperation of the then sub-committee chairman, Senator Edmund Muskie of Maine, the criteria to qualify for a commission were written so our region out here, which does not have higher than national average unemployment, could qualify because of, as people have referred to here during the conference, its high out-migration.

Once this legislation passed the Congress, Senator Metcalf attempted to get a commission activated in this area. Governor Guy of North Dakota cooperated in that effort. But, other governors at that time wanted no part of it. Nebraska and the Dakotas proceeded in an attempt to get a commission, but the effort foundered in the absence of energetic leadership on the part of more than one governor. The proposal for an Upper Great Plains Regional Development Commission in 1966 was a dead duck. The discouraged proponents gave up for the time being.

In 1968, when Forrest Anderson was elected governor, the situation changed. Montana had a new, energetic governor. A new governor in Wyoming was interested in growth possibilities. Governor Guy, who supported the idea all along, was still willing if other states were ready to cooperate.

Governor Anderson rallied a new attempt to create an Upper Great Plains or Missouri River Economic Development Commission. The governors of five states; Montana, North Dakota, South Dakota, Wyoming, and Nebraska, agreed. An application was prepared and filed with the Secretary of Commerce. The ten senators and ten representatives representing the five states (9 Democrats and 11 Republications) all endorsed it in two letters to the Secretary. Secretary of Commerce Stans indicated some hesitancy about recommending to the President that the commission be established.

Congress then wrote \$300,000 into the Commerce Department appropriations bill for this fiscal year to finance the Missouri River Commission. This amounts to a Congressional directive to form the commission. That is where we now stand; awaiting action from the



Executive Branch. It is going to take some pushing to get action. But I hope, and I believe, that we have the push to do it.

A Regional Economic Development Commission is not a Valley Authority, but such a Commission will be a long step forward toward creating an effective economic development effort in this area. Authority can be provided for it as the need develops.

The Public Works and Economic Development Act of 1965 authorized appropriations of \$15,000,000 to finance the early years of such regional commission activities. These are commonly known as the planning years.

New England; the Upper Great Lakes; the Ozarks; the Southeast; the Four Corners area, which includes parts of Colorado, New Mexico, Arizona, and Utah; sought and obtained the establishment of such commissions. Each commission has a chairman, selected by the states, and a federal co-chairman appointed by the President and confirmed by the Senate.

Federal agencies are directed to give priority in administering of grants and loan programs to these lagging areas. The federal co-chairman, with offices in Washington, is supposed to see that the help of all U. S. Government agencies is made available to the regional development agencies on a priority basis. He is, in a large measure, the Washington representative or claim agent for his area.

Two years ago some of the commissions began to plan funding of projects that were needed. Congress authorized sums ranging from \$20-60 million per biennium, to be made available to the various existing commissions to supplement loans and grants from established federal programs. If an assistant agency was out of funds it could dip into this special authorization to make small business loans, research grants, water shed loans and grants, and take whatever other action was necessary to develop the economy of the region involved.

The costs of the commissions were carried by the federal government in the beginning, to be shared by the states and federal government after a good start had been made. If any state is concerned about federal dictation they can withdraw at any time they wish.

The Regional Commission is no cureall, but it will offer a common meeting and planning place, expertise, priority of funds, and some personnel charged with stimulating economic growth. I have believed for many years that the Missouri River Basin is an area so rich in resources--including capable human resources--that it could greatly enrich its economy if given the tools with which to work; and if the region is not held entirely tributary to the great metropolitan centers beyond its boundary.



Part of our problems in this particular region is high cost of transportation. High cost transportation out here is about to make wheat production in some areas uneconomic, at nearly any level of price support, and a mighty poor "staff of life" anywhere in the Basin, if net income from it is essential to making a living--and it is, of course.

Twenty-five years ago Colonel Jerome Locke (a retired Army Engineer) did a study for the Regional Committee for Missouri Valley Authority (MVA) on alternatives to a flowing navigation channel in the lower Missouri which requires the lion's share of our Upper Basin water. He came up with what was then referred to as a fantastic suggestion that we dig a canal, complete with locks, to provide slack water navigation from Fort Benton, Montana, to the Mississippi River, paralleling the river channel. He estimated the cost at that time at approximately the cost of a double track railroad. Now at the time Colonel Locke made the suggestion, it was laughed off; but, a couple of months ago no one even snickered when a Corps of Engineers official remarked, at a high-level Missouri Basin Resources Study meeting, that we may have to dig a navigation channel canal along the Missouri to conserve the Upper Basin water for Upper Basin use. Now Jerry Locke wasn't a dreamer, he was a far-sighted engineer. The urgency of lower cost transportation for this area, and the increasing appreciation of the necessity of dedicating Upper Missouri Basin water to Upper Basin uses certainly makes Jerry Locke's canal proposal worth another careful look, or perhaps I should say, "a careful look."

Now this brings up another commission which has been suggested for the Missouri Basin. It is known as the Missouri River Basin Planning Commission, and is under the River Basin Planning Act which authorized such commissions, as well as the Federal Water Council. Now an Economic Development Commission and a River Basin Commission are not alternatives. They both have a role. The River Basin Commission would deal with water development--not the general economy--although water development necessarily affects economic growth. The hope now is that the River Basin Commission and the Economic Development Commission can operate in close liaison to assure that water projects provide optimum economic benefits.

Attention to both water development and economic growth are needed, as is their close correlation, for maximum benefit. We now have five states going for an economic development commission. I urge you to back them up and insist that the Secretary of Commerce do what the congressmen and senators of both parties in this area have asked him to do, and have provided him with the money to do.



POLITICS IN PLANNING AND DEVELOPMENT





## POLITICS IN PLANNING AND DEVELOPMENT

by Jack M. Campbell<sup>1</sup>

As I flew here from Denver this morning, I had occasion to read in the Billings and Great Falls papers the reports of this conference. I was very much impressed by several things; by the nature of the conference, by the breadth of its considerations, and by the decision of Governor Anderson to move from this conference to the appointment of a citizens committee to examine the goals and alternatives for the future of Montana. But, I was also impressed by the pessimism which seemed to be present in the basic report which formed the foundation, I suppose, for this conference, and in the remarks of many of those who have participated.

I would like to make one or two observations about that pessimism. First, I want to assure you that your concerns are not peculiar ones in this region of our country. A declining or a level per capita income; an exodus of population-particularly young people-from this region, are not unique.

I was reminded of a story of a governor of one of our 19 Indian pueblo's on the Rio Grande in New Mexico. Each year at the end of the fall, and before the winter season set in, he called together the members of his pueblo to give them a report, which I suppose we would call in our culture a "state of the pueblo" report. On this particular occasion he called them together, and told them that this year he had both some good news and some bad news for them. He would tell them the bad news first. The bad news was that it had been a very dry spring and they had a drought during the summer. Consequently, irrigation water was inadequate and almost all their crops had failed. They were going to have nothing to eat for the severe winter that was approaching except for buffalo dung. But, the governor said, there is some good news too and I think I should tell you that. The good news is that we have an ample supply of buffalo dung.

As I flew over the magnificent mountains of Montana, Wyoming, and Colorado coming up here, I visualized the wealth of basic mineral resources in those mountains; the timber that needs to be harvested from them. I also imagined the enjoyment those who live here, and

---

<sup>1</sup>President, Federation of Rocky Mountain States, Denver.

those who come to live here permanently or come to visit here, will find in those mountains, streams, lakes, and trails. As I came from Billings to Great Falls I saw the evidence of the tremendous grain bin which Montana is for the rest of our country.

It seems to me that perhaps as you leave this meeting there should be something more than a sense of pessimism. It seems to me it should be a sense of challenge to try to take advantage of the great opportunities, great resources, and great human talents we have available here.

It has been a century or more since one eastern editor plagiarized a phrase of another eastern editor and issued the famous admonition, "go west young man and grow up with the country". The advice is still very sound. America is growing, and the place where it may in the future, and I suggest will in the future, (grow the fastest) is in the mountain west, particularly if the national government does in fact develop a policy for population dispersal.

When I speak of the mountain west I talk about the states of Idaho, Montana, Utah, Wyoming, Colorado, and perhaps Nevada, New Mexico and Arizona. I really also talk about that vast, largely undeveloped, area of Western Canada which is also so rich in resources, and has so rich a potential for grains and other foods that our growing populations will need. It also has vast reserves of water which are being wasted in the arctic. I also speak of the developing areas in northern Mexico; an area which is developing its own economy now. When one looks at a map of this part of our hemisphere and sees the vast undeveloped stretches from the arctic areas down through western Canada and through northern Mexico; it gives one a realization that those of us who live in what we call the mountain west indeed have great opportunities.

But where one would normally consider that the Rocky Mountains would bind the region together, I am afraid in some respects the mountains tend to divide it. I am sure you realize that in every mountain state, without exception, there is a different kind of economy on one side of the mountains than on the other. And, as you run down the Rocky Mountain states you will observe that the states on the eastern slopes are influenced by such centers as Minneapolis, Omaha, Dallas, and Kansas City. Those on the western slopes are influenced by Los Angeles, San Francisco, Portland and Seattle.

It is my judgment that one day this Rocky Mountain area will establish itself as a region in its own right, and will not be pulled and tugged from both the east and the west. It will develop its own capital requirements, will develop its own strong political base, and will do all the other things necessary to help it become a better place in which all of us can live.



But the "west" that Horace Greeley talked about is not those areas that I mentioned; it is not Minneapolis, not Kansas City, not Los Angeles, and not San Francisco. When people in this country, and the world, talk about the west with a capital "W", they really mean Great Falls, Jackson, Cheyenne, Pocatello, Denver, Albuquerque, Tuscon, Pueblo, and those kinds of western cities. It covers a million square miles, with an average of about half a dozen human beings per square mile; just about the ratio Thomas Jefferson advocated when he talked about the good life.

We of the mountain states share many historical and cultural ties. Our economic background shows strong reliance on agriculture and mining. Our earliest population was Indians, and the problems of the modern Indians are our common problems. Although cities continue to expand on our deserts and plains, and in the shadows of our mountains, it is only in the past quarter century that we have moved from a rural to a predominantly urban population.

But, the images of the old frontier are still living memories. Today, as I was talking to my friend John Rice, who I am proud to say is Vice President of the Federation here in Montana, we spoke about the fact that there is one thing about the culture of this part of our country, this mountain west, that sets the people apart; even those who came here recently from other parts of the country. There is something about the independence, something about the honesty, something about the integrity, something about the confidence they have in each other, something about the way they lay their cards on the table, that harks back to the frontier days and somehow creates a culture of its own.

The wide open spaces are still important to western life. Westerners like you and I tolerate urban living with the reassuring knowledge that we are only a few hours distance from a trout stream or a ski run. The people in the West want to keep these open spaces and this recreation, and they have joined in planning and conservation groups in unprecedented numbers.

Indeed, this mountain west that I speak of is unique in America, particularly by comparison. Here our land provides natural resources of timber, coal, copper, oil, gas, gold, silver, potash, uranium, molybdenum, titanium, and other basic materials for our nation, without yet seriously polluting our water or atmosphere. Here we expect to attract population to a land full of space, from areas where population congestion has become almost unbearable. Most significantly, here we have the time to avoid the awful mistakes which threaten the environment and social stability of most parts of our land.

Technological change seems to have brought us, to this point, more problems than blessings. I would like to take a quick look. We have developed the jet, the jumbo jet, the supersonic jet, and before long a hypersonic jet, to speed us around the country, and the world, at fantastic speeds. But at the same time we have created unbelievable congestion in the air over, and on the ground in, our inadequately planned airports. We have created a threat of the most serious noise pollution yet imagined in the sonic boom. Then we pass it off by testing it and concluding that man will become accustomed to it. We fail to plan air transportation along with airport management, city planning, and ground or other airport-to-city transportation. In short, the new jet age in the air has created a real environmental and social mess.

Thanks to the prodding of the Soviet Union, we have conquered the problem of exploration of space. Spacemen can escape our polluted atmosphere in completely germ-free capsules to be sure we don't risk poisoning our planetary brothers, like we are poisoning ourselves.

We are producing more and more beautiful, powerful automobiles to clog our inadequate urban transportation systems. It has now reached the point where one travels across Manhattan Island in New York, six miles an hour slower than in 1906, before the automobile was invented.

We have found new ways to desalinize sea water through the use of nuclear heat. At the same time we are almost systematically destroying our God-given fresh water by polluting our lakes and streams.

Our architects and engineers build giant skyscraper monuments in our central cities, where eager tourists can look down upon ghettos full of immigrants from rural areas; driven from the farms by automation into cities where expectations are crushed by the inevitability of poor education, few accessible jobs, and ultimate poverty.

We are creating a society where people, more and more of them - a 100 or 115 million more by the year 2000 - working fewer and fewer hours, with greater and greater mobility, will be swarming over the recreational areas of our country like hoards of ants. We in the west are not at all ready for this. We should be encouraging development of properly planned tourist facilities coupled with preservation of the environment and the natural beauty of the area.

Thus it is that technological change is about to overwhelm us. How do we in the mountain west turn this monster into our ally? How do we, through our traditional political and educational institutions, and some new ones perhaps, avoid the omissions and mistakes of our less fortunate neighbors in other parts of our country?



I would like to offer my two cents worth very briefly. I suggest four broad areas in which communication, coordination and cooperation must be improved.

First; there is an alarming lack of appropriate relationship between our physical scientists and our social scientists. The physical scientists seem to be taking over, and in the process they are unwittingly creating complex and awesome social problems. Social science knowledge must be brought to bear on these problems. We may have to consider some new kinds of institutions to bring this about.

Second; the climate for meaningful cooperation between private business, our universities and colleges, and government in attacking our problems, is far from satisfactory. Despite well meaning efforts of American business, they are still suffering from suspicion of the academic and governmental communities, and vice versa. We must find ways, again perhaps through new institutions, to create the climate for a cooperative and massive effort. Here in Montana, at this particular conference, it seems to me you are making a start because you represent a broad cross section of these three elements of the partnership that I think is essential.

Third; our state efforts at problem solving, both short and long term, must be improved. We plan our highways without concern for recreational, or industrial, or educational requirements. We plan urban renewal projects without much regard for relocation of families, or the social or behavioral impact of a new way of life. We must strengthen in the office of the governor, the planning and coordinating function that is necessary for the states and region to move ahead. I'm pleased to know that here in Montana, at your last election, you not only authorized a constitutional convention to revise the constitution, but you also authorized the restructuring of the executive branch of government. This is quite definitely a step in the right direction, and should prove to be exceedingly helpful.

Fourth; our federal political system of national, state, and local governments is experiencing one of the most severe strains in our country's history. Whether it will survive, at least in the form we have known it, is in doubt. The states must be strengthened to serve their role as pivotal partners in the Federal system. It was the thought of our forefathers that the states should provide the experimentation and innovation to help us adapt politically to the changes they knew were coming. The states lost the initiative, and it is up to us to regain it.

If we are to do this I suggest several steps: (1) we must continue to modernize our management methods. You here in Montana, with your steps to amend your constitution and reorganize the Executive



branches of government, are moving in that direction. (2) We must accept the responsibility of state involvement in development, particularly urban development, as to land use. This means as you are doing here, sub-state planning areas, greater financial assistance to urban areas, and greater statutory authority to the urban areas to manage their affairs. (3) We have to use the talents and capabilities of our universities and colleges, and our private industry to develop our states and direct our future. (4) We must continue our struggle against political odds to improve our state's basic structure, and seek new ways to adapt. We can do these things only with the magic partnership of private industry, government and universities.

I know that this subject I'm going to refer to briefly now has been mentioned frequently during the course of this conference. But perhaps I can give it a new perspective, and add to the emphasis that I think it deserves by mentioning another matter I consider to be of extreme importance to the future of this mountain region. I need not remind you of the recent strong surge of interest in the physical environment. In almost every significant action contemplated, or taken, the effect upon the environment is a factor. Here in the mountain west, rich in undeveloped resources, we are being confronted by a serious dilemma. How do we develop and grow without doing violence to the beauty of our environment and the quality of our lives? In short how do we achieve a planned and balanced growth; quality with quantity? Here in Montana, as elsewhere in our region, you are face-to-face with this dilemma, as you seek to identify appropriate land use consistent with preserving your natural beauty.

There are those, comfortably established with jobs providing security for their future and their families, who suggest fences around our mountain states to keep intruders away. As one who has lived here for 30 years, I often find myself leaning to this view; and I dare say most of you here have felt this deep down inside you. But, it is totally unrealistic, and somewhat unfair, because it ignores the facts that there will be 100 million more people in the United States in 30 years, and that in some parts of our country crowded life is becoming intolerable. It also ignores our obligation to help others provide for themselves and their families, a livelihood through job opportunities.

Our responsibility is not to wring our hands and moan, but to join together within each state and throughout the mountain region to make certain that we make the inevitable growth here the kind of growth we want - the growth that will retain and enhance our quality of life. We cannot, much as we would like it, stop change; but we can, if we plan wisely and implement those plans as you are trying to do here, direct change. I think we should remember that growth as such is not necessarily good, but neither is it necessarily evil, and good or evil,

it is the fact of life. I suggest this dilemma may be the most important matter we are to face in this decade and the decisions we make now will have a tremendous bearing on our future.

The recent report of the Public Land Law Review Commission, with its 137 recommendations for changes in the management of our public lands, for example, makes imperative our early consideration of land use in this region, keeping in mind our environmental responsibilities. Each state must do this; and then to marshall our political strength, we must join together as a region to make our views known and exert an influence upon the development of national policy.

I am pleased to tell you that, just this week, I was assured in Washington that the regional planning program, which was described here so well by your fellow citizen of Montana, Dave Hartley, (whom I'm so proud to have been associated with in the Federation of Rocky Mountain States) is the beginning of a continuing study in the areas he mentioned. During the next year, 1971, we hope to devote particular attention to land use policies in the states and to how we can develop throughout this region, through a thorough examination of the recommendations of the Public Land Law Review Commission, a reasonable regional position upon the matter of use of the public lands.

These opportunities and problems of Montana and the rest of the mountain west, can only be understood and managed by careful planning, both long-term and short-term. Planning must be undertaken in a political environment by public officials and those in the private sector, including the conservationists, and by using the resources of our universities where appropriate. I know well from experience and observation that there are many in both the private sector and in our universities, who at best, feel uncomfortable being involved in the political world, and who at worst, resent it. I know some in politics, including some in our bureaucracy, resent intrusion into political decision making and public policy making by the professors and by the private business-industry-agricultural groups. These resentments simply must be minimized. Planning must become relevant to all of us, now and in the future. The alternative is severe damage to our environment, both physical and social.

These are indeed troublesome, dangerous, exciting, and frightening times. Buried beneath the news of international crisis, worldwide student unrest, the tumultuous emergence of new nations, and fantastic technological change, there is a ferment which carries as much significance for the future of our American society as any of these. This is the frantic struggle to adapt our institutions in this country to the present, and for the future.

I call upon you, as leaders of Montana's business, government and academic communities, to face the challenge of changing times. If we are to succeed, and success at this point I might say is far from assured; then all of us must recognize the urgency of our task and continually devote our energies to it. I suggest, in closing, that we must approach this awesome task with the same enthusiasm as our frontier forefathers, who were described by one writer as facing the future with the calm confidence of a good Christian in a poker game with four Aces.



STATE PLANNING: IMPLEMENTATION AND ACTION



## GOVERNOR'S CONFERENCE SUMMARY

by C. R. Draper and Perry Roys<sup>1</sup>

To begin with, I hope you will agree with me that this has been a stimulating, informative, and worthwhile conference. I say this, not just because I was closely involved in planning and the proceedings; or even because four of the sessions were presided over by fellow members of the Commission.

Let me review briefly some of the thoughts yielded by this conference and its participants. It is not easy to be brief and still do justice to each speaker's thoughts, because as you know it's been a very busy two days, with a great many thoughtful contributions to the building of a strategy for the growth of Montana.

Thursday morning, after a gracious welcome from Great Falls Mayor, John J. McLaughlin, Governor Forrest H. Anderson's keynote address called for charting a course somewhere between the extremes of irresponsible industrial deprecation, and tunnel-vision environmentalism. He recommended a flexible strategy, balancing the interests and needs of all the people of Montana. To this end, he announced his intention to establish a broadly representative Citizens' Advisory Committee on State Goals and Objectives, to increase citizen participation in Montana government, and develop consensus by the people of this state, on goals and objectives for the Seventies and beyond.

Following the Governor's remarks, the findings and conclusions of their Montana Economic Study were then reviewed by Dr. Sam Chase and his coworkers at the University of Montana's Bureau of Business and Economic Research. Not all of the findings, to be sure, were good to hear. Because like it or not, Montana has fallen behind in many of the economic indicators and measures of growth, compared with the rest of the nation. And according to Dr. Chase the prospects are far from rosy for any quick turn-around of these somewhat gloomy trends. He and his fellow staff members have been careful to point out, however, that these projections were necessarily based on the continuation of the same forces and conditions that have shaped the state's economic trends in the past decades. Modifying those forces is part of what this conference is all about.

---

<sup>1</sup> C. R. Draper is Deputy Director, Department of Planning and Economic Development.

Perry Roys is Executive Director, Department of Planning and Economic Development. Mr. Roys presented the Summary.



As we learned from some of the speakers, including the Governor, who commented on the implications of the study and its findings, not everyone is in agreement with the conclusions reached by the authors. Yet no one, I believe, will deny that the facts brought together by the economists are ones that must be faced squarely in making any plans and programs for the future--whatever goals Montanans decide to strive for.

A number of speakers explored the implications of the Economic Study findings. Dr. William R. Lassey reminded us of the human costs of exporting young people from the state, after the investment of literally millions of dollars in their upbringing and training. To these costs, he pointed out, must be added the price paid by shrinking communities in loss of talent and potential leadership.

Senator William A. Groff pointed to the inevitable increase in tax burdens unless ways can be devised to increase income by importing industries or people, or both. But Albert G. Melcher of the Rocky Mountain Center on the Environment in Denver, cautioned that in this "decade of the environment" we must also find ways of saying "no" to kinds of growth, and the sorts of policies that perpetuate degradation of the physical environment. He recommended development of what he called a "state environmental policy with guts".

Some of Montana's alleged disadvantages were dismissed summarily, during the conference. Dr. Chase showed that even its winter climate compares favorably with industrial metropolitan centers to the east. Gus Raaum, as proprietor of what is to be a major winter sports resort may perhaps be pardoned a certain amount of bias, but he spoke for thousands of Montanans when he declared "of course you've got to have cold weather, to keep the snow from melting!"

Others took issue with certain aspects of the Economic Study. James A. Robischon of the Anaconda Company saw considerably more promise for new jobs in the minerals industry than projected by the study. In the Butte area alone, he said, the chances are good for enough growth to satisfy the entire employment growth in mining and metals projected for the state by 1980. Both Raaum and Chet Huntley, who had flown back from Alaska to be with the conference, defended tourism -- "an industry with a future" -- as a significant export industry for the state, capable of attracting other enterprises, contributing greatly to the tax base, and helping to stem the tide of out-migration of Montana citizens. Yet neither suggested putting all our eggs in one basket.

The conference speakers provided plenty of material for the Governor's Committee on State Goals and Objectives to consider in its deliberations. At Thursday's luncheon, Donald Grangaard of the

First Bank System suggested study of some imaginative solutions to the state's agricultural problems:

1. Joint ventures between some farming and ranching units;
2. Leasing of the costly tools of agricultural production;
3. More flexibility in financing of agriculture;
4. The formation of regional agri-business development groups;
5. Multi-state efforts to provide the requirements of rural communities; and
6. Higher priority for vocational training of Montana youth to provide pools of trained workers to spur industrial development.

Planning and Economic Development Commissioner Frank Crisafulli, introducing Thursday's panel on Development Prospects, suggested an ambitious engineering project for eastern Montana that could provide water transportation as well as other water uses for this vast area.

Agricultural Economist Dr. Richard J. McConnen of Montana State University, Bozeman, made a plea for improved financial and business management as a crucially important answer to preventing the crisis faced by Montana agriculture from developing into tragedy. He listed nine variables to be watched, and considered carefully in developing an agricultural policy for the state.

Leo Cummins of the University of Montana School of Forestry, Missoula, called our attention to the potentials for productive use of overstocked pole-timber stands in the state, to help answer the impending urgent demands for timber products. But he was careful to point out that harvesting techniques can be -- must be -- made to preserve esthetic values as well as answering economic needs.

Dr. Barney Old Coyote reminded us that Montana's 30,000 Indians, occupying what he called "Economic, Social, and Political Islands" within the state's economy, must be included in strategic planning for the Seventies. They represent people, resources, and opportunities, and are increasingly desirous of being a significant part of the economy.

Bill Spilker spoke of potentials for location of light industry in Montana, aided by the presence of a trainable, productive labor force. The state's emerging regional cities, he said, can become operating bases for firms with low freight costs relative to their total costs of production.

\*\*\*\*\*



Friday morning, those who made it to the beginning presentation saw and heard a film in which Ian McHarg and some other representatives of the newly-popular "ecological school" showed how a greater knowledge and insight into the complex interrelationships between geology, hydrology, meteorology, plants, soils, animals, and men can be used to guide future planning for land use, and prevent repeating some of the tragic blunders of which mankind has been so guilty in the past, and for which we are now paying the penalties.

Montana, of course, does not exist in a vacuum; and this morning we heard from a group of men who showed how our state planning activities fit into and are affected by regional and national developments. Ted Schwinden, Commissioner of Lands and Investments, first reviewed the findings of the Public Land Law Review Commission, the acceptance of whose recommendations could influence the administration of some 40 percent of the land in Montana that is under federal and state ownership. He also announced the recommendation of our state Council on Natural Resources and Development, for some state legislation for an Environmental Policy Act in keeping with national legislation and for surface mined-land reclamation for Montana which seems to apply to the region.

Dr. Lloyd Davis of the Office of the Secretary of Agriculture, and Dr. William Van Orman, regional Health, Education and Welfare Director, both illustrated the kind of teamwork between federal agencies in the state and region that is considered essential to the attainment of real progress. Dr. Davis told of new emphasis in the present administration, on the development of national growth policies and programs, aimed at achieving a balance between urban growth and the development of smaller communities and rural areas. And he reviewed the scope of activities of his Department in our state, including its cooperative programs with state offices; and mentioned others shared his expectations of closer cooperation.

Before I leave Dr. Van Orman's remarks, it is significant to recall his statement that the Regional Federal Council he heads in Denver represents a prelude to a decentralization of federal executive agencies and their activities, including funding decisions.

David Hartley, who directed the regional planning studies just completed by the Federation of Rocky Mountain States, shared with us some of their findings in this six state region, and some of the implications for evaluating how well-equipped we appear to be to handle the results of the decentralization foretold by Dr. Van Orman, if and when it is implemented.

Finally, George McCarthy, Federal-State Coordinator and self-styled "lobbyist for the State of Montana" gave us a glimpse of



some present and future activities of his office, and brought us up to date on the progress toward establishment of an Upper Missouri Basin Regional Development Commission. He compared this potential development with the impressive record of the Tennessee Valley Authority in multi-state development of power, industry, recreation, and agriculture.

At the luncheon, Jack Campbell of the Rocky Mountain Federation drove home the urgency of facing up to the tasks ahead in a realistic manner (as did other speakers), by adapting our institutions to the present and the future.

He told us that building fences is totally unrealistic, that it is time to build a better relationship between the social and physical sciences, between the public and private sectors and education -- within states and on regional bases. He suggested, and I agree completely, that in these ways only can we direct and control change.

Then some of the members of my staff, introduced by Commissioner Ruffatto, talked briefly of some of the activities, current, past and future, of our Department:

1. Hal Price reported some proposed planning legislation worked out with a committee of the Legislative Council and a hard-working Citizens' Committee;
2. Lyle Balderson explained community planning activities of various kinds throughout the state;
3. Tom Dundas announced a program to gather, store, process and retrieve information about and for the State of Montana -- almost the first state in the nation to process its 1970 census data and begin making it available in detailed form; and
4. Dick Draper reported a proposal for a multi-county district division in Montana to accompany the forthcoming executive reorganization, and make more effective the delivery of governmental services.

Finally, our three reactors expressed words of support and encouragement and importantly, admonishments for care and caution and involvement of the public.

In return and in answer to Representative Hall, I also say "help." Laws are not a panacea. We, as a people, have to shape up. This has

been the major frustration of the past year and one-half and perhaps that is as good a note to end this conference on as anything else that might be said. In the final analysis, it is the people -- their attitudes, their mood and state of mind that will shape our future.





